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# Economic Intelligence Weekly

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## ECONOMIC INTELLIGENCE WEEKLY

6 October 1977

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Note: Beginning with the 13 October 1977 issue, the title of this publication will be changed from *Economic Intelligence Weekly* to *Economic Intelligence Weekly Review*.

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Articles

**WHEAT: STRONGER WORLD DEMAND,  
PLENTIFUL SUPPLY**

Although world import demand for wheat is much stronger than we forecast last May, exportable supplies remain more than adequate. World production in 1977/78, down about 5 percent, will be the second highest on record and carryover stocks held by major exporters on 1 July were the largest in seven years. Foreign demand for US wheat during the marketing year ending 30 June 1978 (MY 1978) is now estimated at 29 million tons—up more than 3 million tons—and could be higher depending upon total quantities the Soviet Union purchases for delivery by next July. Unless unforeseen labor or transport difficulties arise, both Canada and Australia could set new export records.

**Production Down, Consumption Up**

We are still holding to our May forecast of a 400-million-ton global wheat output for 1977/78, second only to last year's record. The latest estimates by the US Department of Agriculture (USDA) and the UN Food and Agriculture Organization (FAO) are 392 million tons and 401 million tons, respectively. The USSR is the only major wheat producing country expected to register a significant increase, perhaps 5 million tons, over last year. This gain will be more than offset by smaller US and Canadian harvests. Poor weather has accounted for reduced wheat harvests in north Africa, South America, and parts of Asia. Much uncertainty still clouds any forecast for the Southern Hemisphere producers—Argentina and Australia—where harvesting will not start until December. Argentina's crop, planted on a 25-percent smaller area than a year ago, is suffering from drought.

While the expected wheat harvest in Western Europe, Eastern Europe, and the USSR will equal or exceed last year, harvest rains are reducing its quality. A larger share than usual will therefore be used for livestock feed, pushing up imports of milling-quality wheat more than we had earlier projected.

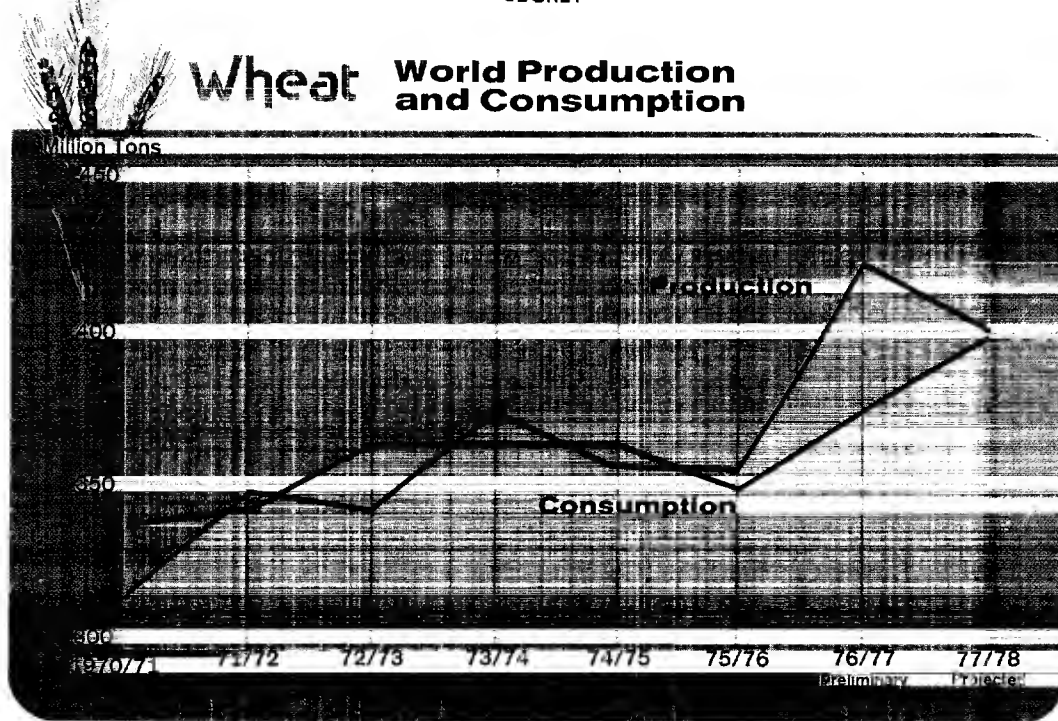
USDA projects consumption of wheat in 1977/78 at a new high of nearly 400 million tons—up 25 million tons—and we agree. The 7-percent increase mostly

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reflects the larger supply of poor quality and cheaper wheat available for feed this year. The USSR, the EC, and the United States may use 13 million to 15 million tons more for feed than last year. Good rice crops and slow growth in personal incomes will hold wheat consumption in most LDCs at last year's level.

#### Import Demand Strong

We forecast global imports of wheat and wheat flour in the MY 1978 at a new high of about 70 million tons, 10 million tons larger than last year. This level falls at the high end of the import ranges forecast by USDA and the International Wheat Council.

Import demand is estimated to be up for every region in the world, with the largest increases for Europe (USSR), Asia (China), and Africa (northwest). The PRC has already purchased 5.5 million tons more for delivery in MY 1978 than was delivered in MY 1977 and may be in for another half million tons. While most of these Chinese imports are probably intended for immediate consumption, some may be used to rebuild stocks drawn down the past two years when wheat prices were higher. Soviet wheat imports are currently estimated at 7.8 million tons; however, the actual figure could be higher if total grain imports exceed 17 million tons, as

Unless the Soviet wheat crop is

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## World Imports of Wheat and Flour by Region

Region	Marketing Year <sup>1</sup>				Million Tons	
	1973	1974	1975	1976	Preliminary 1977	Projected 1978
<b>World Total</b>	<b>67.5</b>	<b>63.1</b>	<b>63.4</b>	<b>66.3</b>	<b>59.7</b>	<b>69.9</b>
Europe	26.2	16.9	12.9	21.6	17.3	19.5
Western Europe <sup>2</sup> .....	7.3	7.0	6.3	6.6	6.1	6.4
Eastern Europe .....	3.9	5.5	3.8	4.9	6.4	5.3
USSR .....	15.0	4.4	2.8	10.1	4.8	7.8
Western Hemisphere	8.8	9.1	7.4	8.8	8.1	9.6
North and Central America .....	2.4	2.6	2.7	2.0	2.1	3.0
South America .....	6.4	6.5	4.7	6.8	6.0	6.6
Asia	24.4	28.0	33.5	26.0	24.8	29.8
Middle East .....	2.6	4.0	6.1	3.3	4.8	5.7
Far East .....	21.8	24.0	27.4	22.7	20.0	24.1
Africa	7.1	8.5	9.0	9.5	9.3	10.9
Oceania and Others	1.0	0.6	0.6	0.4	0.2	0.1

<sup>1</sup> Marketing year ending 30 June of stated year.<sup>2</sup> Excludes intra-EC trade.

considerably smaller than our current estimate of about 100 million tons (USDA estimates 95 million tons), some of the imports could be intended for stock additions. Tunisia, Morocco, and Algeria will need to boost imports by at least one million tons following disastrous wheat harvests. India, traditionally a major importer, will be an exporter this year of 600,000 to one million tons; large stocks were accumulated over the past two years, some of which are deteriorating from poor storage conditions.

Carryover stocks on 1 July 1977 in the five major exporting countries were at a seven-year high of 66 million tons, 27 percent larger than a year ago. To meet MY 1978 export demand, stocks will be drawn down by all exporters except the United States. The net stock reduction will not exceed 3 to 5 million tons, leaving a relatively large carryover for next year. Most of the reduction will come in Canadian stocks, which have built up to exceptionally high levels.

#### New High for Canadian and Australian Exports

We are forecasting record wheat exports by Canada (16.6 million tons) and Australia (10.5 million tons) in MY 1978. This judgment is based on (a) known larger commitments to the USSR and the PRC and (b) the assumption that Canada and Australia will maintain their usual share of the Free World market. Australian delivery of wheat to the PRC will be up an estimated 4.3 million tons and Canadian deliveries up about 2 million tons.  Canadian

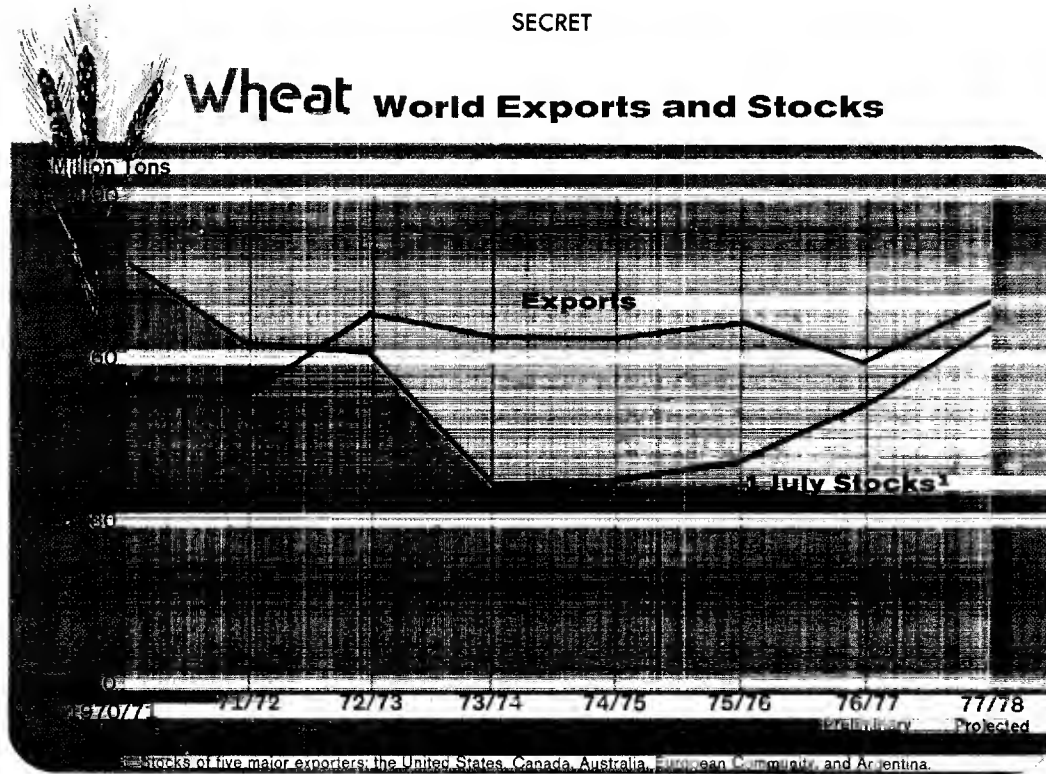
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sales to the USSR will be at least a million tons larger than in MY 1977

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If Canada and Australia are to meet our projected levels of export, no serious transport or labor stoppage affecting grain can occur for the remainder of the marketing year. We foresee none at this time. Because of their serious balance-of-payments problems, we believe both governments will make every effort to stay competitive in the wheat market.

In contrast, Argentina will be forced to cut exports almost in half, to 3.1 million tons, this marketing year—unless wheat production turns out better than now forecast. Even to meet this low export level, stocks will have to be drawn down to minimum levels over the marketing year. EC exports will be up, but less than earlier predicted due to quality problems and high export subsidy costs.

#### Export Demand for US Wheat Stronger

We are now forecasting at least a 3-million-ton increase over MY 1977 in foreign demand for US wheat and flour to 29 million tons. This compares with USDA's latest forecast of 24.5 to 29.9 million tons. A major uncertainty in the

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## World Exports of Wheat and Flour, by Source

Exporter	Marketing Year <sup>1</sup>					Million Tons	
	1973	1974	1975	1976	1977	Preliminary	Projected
<b>Total</b>	<b>67.5</b>	<b>63.1</b>	<b>63.4</b>	<b>66.3</b>	<b>59.7</b>		<b>69.9</b>
Argentina .....	3.5	1.1	2.2	3.1	5.6		3.1
Australia .....	5.6	5.5	8.2	8.1	8.0		10.5
Canada .....	15.6	11.7	11.2	12.1	12.9		16.6
European Community <sup>2</sup> .....	6.0	5.5	7.2	7.7	3.6		5.3
USSR .....	1.3	5.0	4.0	0.5	1.0		1.5
United States .....	31.8	31.1	28.0	31.5	25.8		29.0
Other .....	3.7	3.2	2.6	3.3	2.8		3.9

<sup>1</sup> Marketing year ending 30 June of year stated.<sup>2</sup> Excludes intra-EC trade.

market is how much wheat the Soviets buy from the United States as well as Canada.



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A large share of the estimated increase in US exports comes from regaining markets lost to Argentina last year. This year Argentina, with less surplus wheat, is not expected to engage in price cutting, which last year provided traders with cheap wheat to substitute for US wheat in optional origin contracts.

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### JAPANESE IMPORT PROMOTION: MORE STYLE THAN SUBSTANCE

Japan's recently announced import promotion scheme will do little to counter its burgeoning current account surplus or help trading partners with payments problems. The program will boost imports by a maximum of \$340 million next year and somewhat less than \$1 billion through 1980. Most of the benefits will accrue to

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the United States; the program will boost imports from the non-OPEC LDCs by only \$30 million to \$50 million over the next four years. Even with the program, we expect Japan's current account surplus will top \$8 billion this year and rise by another \$1 billion to \$2 billion in 1978. These latest import promotion measures will do little to remedy Japan's political problem with its huge current account surplus; therefore, Tokyo will likely opt for unilateral export restraints to defuse growing protectionist sentiment in the United States and Western Europe.

### The Package

The import promotion package announced by Tokyo on 20 September includes:

- An easing of agricultural import quotas, estimated to raise imports by \$160 million per year.
- A speedup of aircraft imports under a government-sponsored loan program estimated to boost deliveries \$300 million to \$350 million through 1980.
- An acceleration of feed grain and sorghum purchases by \$10 million in 1977.
- A 1,400-ton hike in enriched uranium imports between 1977 and 1980 funded by the Japanese Export-Import Bank (\$120 million).
- An industry-funded stockpiling of zinc and copper to the amount of \$20 million.
- A 3.3-million-ton increase in oil stockpiles from July through October 1977 (\$330 million).

The program is heavily slanted toward the United States, apparently because it was prepared as a fallback position for last month's subcabinet discussions. Tokyo dusted off the plan in time for last week's International Monetary Fund/World Bank meetings in an attempt to demonstrate Japanese intent to reduce its trade surplus.

### Impact on the Surplus

The program will have little impact on the 1977 surplus because (a) accelerated grain purchases will lift imports by only \$10 million and (b) the announced hike in

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oil imports represents essentially a normal seasonal buildup and the purchases mandated under the government's stockpiling program. The remaining elements of the program will not have an appreciable effect until next year.

In 1978, the program should raise imports \$200 million to \$400 million above our projected level of \$73 billion. The range depends mainly on

delivery dates for the aircraft purchases and the scope of quota liberalization. The midrange estimate of \$300 million assumes that the \$300 million to \$350 million in aircraft imports will be spread over a two-year period. Tokyo is apparently still debating quota liberalization; a 20-percent average increase appears to be the government's current thinking. Assuming the 20 percent is applied across the board on the 23 agricultural items covered by quotas, imports would increase about \$160 million in 1978. Tokyo will find it difficult to convince firms to increase nonferrous metals stockpiles by more than \$20 million next year because many companies were burned by high inventories in 1974-76.

## Japan: Impact of Import Stimulation Measures

Million US \$

Exporting Country	Estimated Addition to Imports	
	1978	1977-80 Total
<b>Total</b>	290-340	730-950
United States .....	240-260	550-650
Australia .....	20-30	100-150
Canada .....	20-30	50-100
Non-OPEC LDCs .....	10-20	30-50

## US To Reap Largest Benefits

The program will boost US sales to Japan by roughly \$250 million next year, with emphasis on increased shipments of aircraft, agricultural products, and enriched uranium. Even with these US export gains, we expect the Japanese bilateral surplus will grow by \$1 billion to \$2 billion next year to a figure of \$9 billion to \$10 billion. Marginal hikes in zinc and copper imports and higher agricultural quotas will boost Japanese purchases from non-OPEC LDCs only \$10 million to \$20 million in 1978.

## Future Moves by Tokyo

The government will likely resort to additional export restraints to reduce its global surplus because of the meager potential in the import promotion program. The Japanese leadership is apparently split on how much force Tokyo should exert at home to reduce the current account surplus.

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The Japanese private sector is also divided. Major steel firms are willing to negotiate some form of export restraint. On the other side, some industries—notably electronics—believe Tokyo has been too responsive to US demands for limits on Japanese exports.

The Japanese auto industry would be most reluctant to cut shipments to the United States next year, given the current level of US demand for Japanese cars. Dealer inventories are now down to less than two weeks' sales. Shipments would have to increase 8 to 10 percent next year just to match sales if the pace continues at the 1977 rate.

\* \* \* \* \*

**RHODESIA: PROBLEMS ON THE CHROME FRONT**

Rhodesia's once-thriving chromium industry\* now appears to be in trouble, as evidenced by recent mine closures and plant layoffs. The difficulties, which are traceable to reintroduction of US sanctions and to changes in the market for chromium, are likely to worsen—adding to the financial difficulties of an already troubled economy. Chrome heads the list of Rhodesian exports, providing about one-fifth of export earnings in 1976.

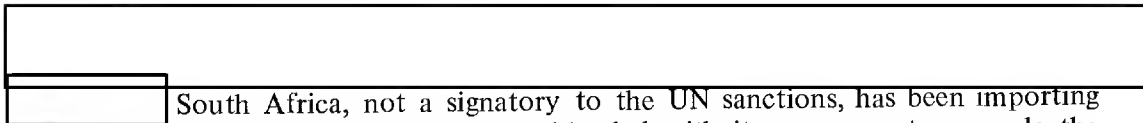
**Repeal of Byrd Amendment  
Eliminates Major Customer**

In March 1977, the US Congress closed the door on imports of Rhodesian chrome by repealing the 1972 Byrd Amendment, which had authorized US consumers to purchase Rhodesian chrome and other strategic commodities covered by the UN sanctions of 1966. Before the UN sanctions and during the 1972-March 1977 interval, US firms were the leading purchasers of Rhodesian chrome. Sales to the United States grew from \$5 million in 1965 to about \$30 million in 1976.

\*The words chromium and chrome as used in this article generally refer to a variety of ores and concentrates.

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South Africa, not a signatory to the UN sanctions, has been importing Rhodesian chromite, which has been blended with its own ores to upgrade the quality of chrome products for export. We are unable to confirm rumors that the USSR has imported Rhodesian chrome since 1966.

#### **New Technology Lessens Need for Rhodesian Chrome**

At the outset of sanctions against Rhodesia in 1966, world stainless steel producers were totally dependent on processes that used a high-grade chromite available primarily from Rhodesia. The USSR and—to a much lesser extent—Turkey and South Africa were the only other sizable suppliers of high-grade chrome ore. During 1966-72 when the United States adhered to the sanctions, the USSR replaced Rhodesia as the major US supplier. The Soviets seized this opportunity to double prices of chrome supplied to the United States; most other customers sought Rhodesian chrome, which sold well below the Soviet price.

Spurred in part by cost considerations, US producers in 1968 introduced a stainless steel process that uses ferrochromium derived from lower grade chrome ores, such as those mined in South Africa. This process is now used in about 80 percent of US stainless steel production and in a small though increasing share of non-US production. Rhodesian chrome thus has become much less critical to world needs. South Africa has replaced Rhodesia as the major US supplier, accounting for about 32 percent of metallurgical-grade chrome ore and about 36 percent of the ferrochromium imported in 1976; Rhodesia supplied about 5 percent and 20 percent, respectively, of US imports.

#### **Chrome Supplies Outstrip User Requirements**

Continued rapid output of chrome in the face of depressed demand from the stainless steel industry has resulted in a glut of ferrochromium on the world market, forcing producers to cut prices. Union Carbide, a part-owner of a South African ferrochromium plant that recently began production, trimmed its US ferrochromium prices by upward of 17 percent in late August. Several companies have

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cut back or suspended output. In August, two of South Africa's major producers of ferrochromium halted operations.

**South Africa May Reexamine Export  
Assistance to Rhodesian Chrome**

The bleak outlook for chrome demand and the depressed state of its own industry will make it costly for South Africa to continue facilitating chrome exports from Rhodesia. South Africa will likely face pressures from its own chrome producers as well as intensified efforts by the United States and other countries to prevent exports of Rhodesian chrome through South Africa.

Without access to South African rail and port facilities, Rhodesia would have no practical alternative for exporting its chrome. Mozambique's closure of its border with Rhodesia in March 1976 eliminated the possibility of direct shipment through that once important outlet, and Tanzania and Kenya almost certainly will continue to refuse Rhodesia access to their ports. Costs of alternative overland transit or air delivery of Rhodesian chrome ore and ferrochromium would be prohibitively high.

**The Industry and Economy Feel the Heat**

Rhodesia's chromium industry has begun to feel the combined pressure of increased sanctions and reduced demand. At least one mine reportedly has suspended operations, and Rhodesia's largest ferrochromium facility—Rhodesia Alloys at Gwelo—has cut output by possibly one-half. The country's other major ferrochromium producer, Rhodesia Metals, presumably is badly hurt because its only customer was the United States.

The falloff in Rhodesian chrome output, which in 1976 represented about one-third of total mineral production, not only will prove a blow to domestic industry but will also put a severe crimp in foreign exchange earnings. Chrome ore and ferrochromium, Rhodesia's leading exports, provided an estimated \$120 million or roughly 20 percent of estimated export earnings in 1976. Although earnings from chrome this year will have been bolstered by heavy sales before the reimposition of US sanctions in March 1977, the situation undoubtedly will worsen next year. Loss of sales to the United States alone would amount to about \$25 million, and even if the volume of sales to other markets were maintained at 1976 levels, revenue would be at least \$15 million less because of lower prices. At a minimum, therefore, Rhodesia stands to lose \$40 million in earnings, aggravating an already difficult foreign exchange situation.

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## **THE SOUTH AFRICAN RECESSION: NO REBOUND IN SIGHT**

The South African economy remains mired in recession with no indications that recovery is yet under way. GNP is in its third consecutive year of 1- to 2-percent real growth, the longest pause since the 1930s. Pretoria is stubbornly maintaining a tight rein on growth to protect South Africa's international financial position. Even if the government relaxes its austerity program, weak foreign investor confidence will continue to depress economic activity.

### **Behind the Recession**

A combination of global factors, misjudgments, and political problems have been responsible for the South African recession. The slump began in 1975 when US and West European demand for South African exports declined sharply. To bolster the economy, Pretoria expanded government spending, particularly outlays for import-intensive capital projects. The Vorster government gambled that gold prices, which had reached about \$200 per ounce at the end of 1974, would continue rising and cover the additional imports. Gold prices, however, fell by almost 30 percent in 1975, pushing the current account deficit to a record \$2.5 billion.

Faced with the prospect of rising deficits, Pretoria devalued the rand by 18 percent in late 1975 and introduced fiscal and monetary restraints in 1976. The increase in real government spending was held to 3 percent last year, despite a 28-percent rise in military expenditures associated with the Angola intervention. In addition, strict controls were put on private credit and a 20-percent import tax was imposed. These measures had the intended effect on trade, cutting the trade deficit to \$283 million in 1976 from \$813 million in 1975.

Although the current account deficit was shaved to \$1.7 billion, a sharp drop in capital inflows forced Pretoria to scramble for funds. Compared with a \$940 million annual average during 1970-75, net capital inflows amounted to only \$527 million last year. Direct foreign investment fell sharply, especially after race riots at Soweto began in June 1976. The government managed to cover its financial requirements by borrowing in the US and European money markets, even though the Western banking community raised interest rates and shortened maturities on loans to South Africa.

### **The Current Situation**

The economy has shown no signs of improving this year. In first half 1977, private consumption expenditures as well as private fixed investment continued to

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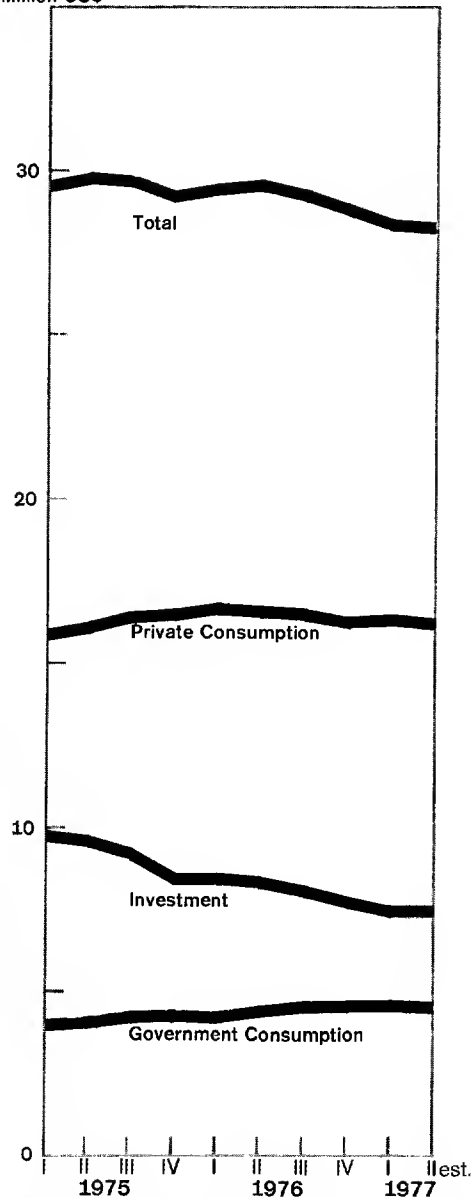
ease off. Nor is the economy getting any help from government spending—both public consumption and investment in first half 1977 were running behind the preceding six-month period. Government credit policies have also remained tight.

With final demand weak, South African firms have continued to draw down inventories accumulated in 1974-75. Even so, the inventory-to-sales ratio remains high in most industries. In these circumstances, manufacturing output is continuing to drop, by 5 percent in the 12 months ending in June. Construction activity for the same period is off 10 percent. Only agriculture—benefiting from excellent weather—and the export-oriented mining sector have shown healthy growth.

The recession's impact on unemployment has been concentrated among blacks. Some 2 million—or 30 percent of the black labor force—are estimated to be out of work. Unemployment of whites, Asians, and persons of mixed race more than doubled in the 12 months ending June 1977 and continues to rise. Nonetheless it still totals less than 30,000—about 1.4 percent of the nonblack labor force. The unemployment rate of whites alone is probably less than 1 percent. The recession is not apt to provoke a white backlash against the government's tight economic controls, whereas

### South Africa: Gross Domestic Expenditure<sup>1</sup>

Million US\$



<sup>1</sup>Data are in constant prices, seasonally adjusted at an annual rate.

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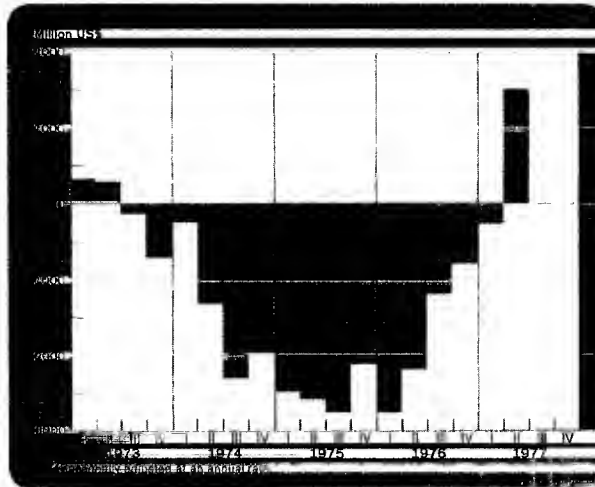
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growing black unemployment—particularly among urban youth—supplies tinder for racial unrest.

### The Payments Picture

Although Pretoria's tight austerity program has turned the current account from deficit to surplus, large capital outflows have prevented the Vorster government from relaxing controls. During first half 1977, South Africa generated a \$1 billion trade surplus on the strength of large export gains and continued declines in imports. By mid-1977, the volume of imports had been cut to about two-thirds of the 1974 peak. As a result, the current account balance for 1977 as a whole may exceed \$1 billion.

South Africa:  
Current Account Balance<sup>1</sup>



Large capital losses have more than offset these gains. During the first six months of 1977, South Africa recorded a net capital outflow of about \$750 million, excluding borrowing designed to maintain gross official reserves at the desired level of \$750 million to \$900 million. To bolster the country's reserve position, the Vorster government in the past two years has mortgaged 250 tons of gold in exchange for Western bank loans of \$900 million and has borrowed more than \$300 million from the IMF.

It is difficult to determine to what extent capital losses have been caused by the recession and to what extent they reflect reduced foreign confidence in South Africa. Much of the outflow probably reflects temporary capital flight, most of which would show up in the large "errors and omissions" category; this category amounted to about \$500 million in first half 1977, compared with \$448 million in all of 1976. The government, aware of this drain, is studying measures to strengthen further its control over international financial transactions.

### Outlook

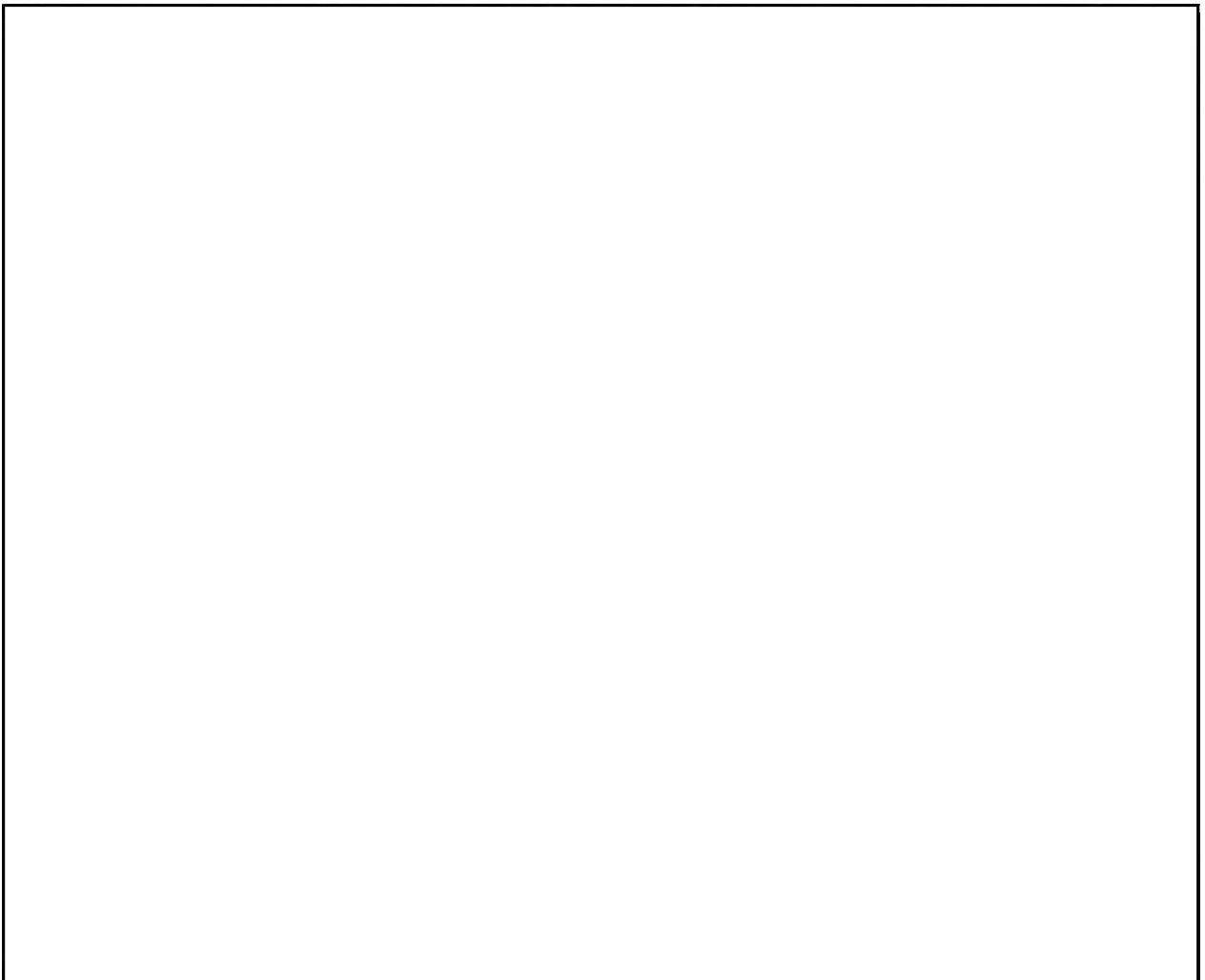
Pretoria has made it clear that austerity measures will remain in force well into 1978. The chief concern at this point is to preserve recent improvements in the trade balance and to reduce South Africa's dependence on foreign borrowing. The Vorster government will be especially cautious in the next few months because of signs that the export boom is losing steam. Sluggish world demand has softened prices for

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important South African exports such as chrome, copper, and platinum. Corn export prices have been weakened by large US supplies. Pretoria also cannot count on a substantial rise in gold prices, which have remained fairly stable at \$130 to \$155 per ounce for the past year.

The government has successfully sold its policies to its white constituency as a necessary evil; this should not be a factor in the elections scheduled for 30 November. So far at least, Vorster does not appear concerned about political repercussions from the growing pool of unemployed blacks. Even with a gradual relaxation of controls, real GNP growth in 1978 will probably be held to the 2- to 3-percent range. To prevent a further rise in black unemployment, real growth would have to reach at least 7 percent.

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### **SUEZ CANAL: SHIFT FROM OIL TO DRY CARGO TRAFFIC\***

The Suez Canal, closed for eight years following the June 1967 Arab-Israeli war and reopened in June 1975, has resumed its place as one of the world's principal waterways and a key source of hard currency for Egypt. Dry cargoes now predominate because of (a) the loss of oil traffic to the VLCCs, which cannot transit the Canal, and (b) the resumption of traditional traffic augmented by bigger shipments to wealthy Persian Gulf states.

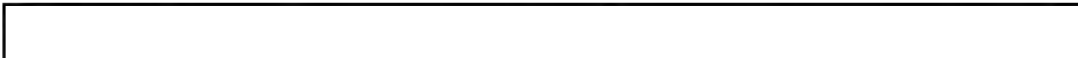
Cairo earned more than US \$350 million in Canal tolls in 1976—more than 10 percent of its hard currency earnings—compared with \$220 million in 1966. Sharply higher tolls offset a 50-percent reduction in cargo volume. Almost 17,000 ships carrying 120 million tons of cargo transited in 1976, compared with 21,250 ships carrying 242 million tons in 1966. On the basis of the level of traffic in the first five months of 1977, earnings for this year appear likely to run 15 to 20 percent ahead of the 1976 level.

#### **Dry Cargo Traffic Rises**

Dry cargoes have replaced oil as the Canal's primary source of revenue by a ratio of two to one and are the key to its success for the next several years, i.e., until the canal is widened and deepened. In 1976, 85 million tons of dry cargo were shipped via Suez, almost 30 percent above the 1966 level of 66 million tons.

After reopening in mid-1975, the Canal quickly regained its traditional patronage from small conventional liners and bulk carriers operating between Europe and points east of Suez. Northbound shipments of ores, grains, and light manufactures from less developed countries in South and Southeast Asia constituted the strongest element in traffic growth. Exports from the developed West to Middle Eastern oil states bolstered southbound traffic. This trade has featured increasing numbers of ro/ro (roll-on/roll-off) ships carrying cargo southbound and returning northbound in ballast. Ship operators have used ro-ro ships to help relieve the severe congestion that hit Middle Eastern ports in 1975-76.

Although the Canal had only limited success in attracting containerships in 1976, traffic should pick up in 1977. Several major consortiums operating containerships between Europe and East Asia refrained from using the Canal for most of last year because the Suez Canal Authority had imposed a 10-percent surcharge on these ships. In response to a cut in the surcharge to 5 percent, effective in February 1977, two major consortiums agreed to begin sending their ships through the Canal.



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Oil shipments are down sharply from preclosure levels—700,000 b/d in 1976 compared with 3.5 million b/d in 1966—largely reflecting (a) the widespread introduction of very large carriers (VLCCs) over the past decade and (b) the depressed tanker market of the past few years, which raised the comparative costs of the Suez route. In 1976 the Canal handled little more than 5 percent of Persian Gulf crude oil exports to Western markets. At the Canal's present dimensions, only 15 percent of world tanker tonnage can transit loaded or in ballast, and another 30 percent only in ballast; in 1966, 73 percent could transit loaded or in ballast and practically the entire fleet in ballast. Moreover, shipping a ton of Persian Gulf crude on small tankers (50,000 up to 60,000 DWT) able to transit Suez costs nearly twice as much as on VLCCs around the Cape of Good Hope. Even if VLCCs were able to transit the Canal, charter rates in the current depressed tanker market are so low that Canal tolls would more than offset the cost savings obtained by using the shorter route.

#### Canal Expansion Aimed at Oil Shipments

In hopes of increasing its share of Persian Gulf crude traffic, the Suez Canal Authority plans to expand the Canal to handle VLCCs. In stage one, to be completed in 1980 at a cost of \$1.1 billion, the Canal will be deepened and widened to permit the passage of loaded tankers up to 150,000 DWT. Stage two, slated for completion in 1982 at an additional cost of \$600 million, will permit the passage of loaded VLCCs up to 250,000 DWT, with larger ships able to transit partially loaded or in ballast.

Over the next three to four years, the Canal will not be competitive with the Cape route and could face stiff competition from the 1.6 million b/d Sumed pipeline for the narrow segment of the tanker market now able to use Suez—tankers of up to 60,000 DWT. The Sumed pipeline can be linked to VLCCs, but pipeline tolls make it a more expensive route than the Cape passage in today's depressed tanker market. Beyond 1980, the expansion of the Suez Canal and the gradual firming of tanker rates will improve the competitive position of trans-Egyptian arteries vis-a-vis the Cape.

Until then, Egypt or its pipeline partners—Saudi Arabia, Kuwait, Abu Dhabi, and Qatar—can adjust tolls or adopt other measures to attract tanker traffic from the Cape to Sumed and to keep the Canal attractive for transits by smaller tankers. For example, Egypt's Sumed partners could include provisions in their oil sales contracts requiring the use of the pipeline or set prices or credit terms for their oil at the pipeline's Mediterranean terminal that would make it more attractive than shipping oil on VLCCs around the Cape.

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### Favorable Growth Prospects for Dry Cargo

25X1 Dry cargo traffic promises to be the Canal's chief source of revenue during the next few years. Growth in traditional trades between Europe and Asia and East Africa will be augmented by rapid growth in the trade of the Middle Eastern oil states. Suez Canal traffic probably will grow at a faster rate than average world trade over the next few years and could reach 125 million to 150 million tons of dry cargo by 1980. [REDACTED]

\* \* \* \* \*

### CHINA: RAPID EXPANSION OF MERCHANT FLEET

China is rapidly expanding its merchant fleet to meet the increased foreign trade commitments of its new leadership. Starting in May 1977, Peking has purchased more than 80 modern merchant ships for its international fleet at a cost exceeding \$175 million. The new acquisitions—mostly used vessels purchased at bargain prices in the currently depressed ship market—have amounted to nearly 1.4 million DWT, bringing fleet tonnage to more than 5.6 million DWT and increasing its carrying capacity by almost 30 percent. Previous to these purchases, neither China's international fleet nor the Hong Kong shipping companies under its control had bought ships since January 1976, presumably because of the internal turmoil accompanying Mao's illness and death.

Nearly half of the added ships are bulk carriers designed to carry cargoes such as grain, ores, and fertilizers. These purchases coincide with the PRC's need for sizable quantities of agricultural imports during the next year. Peking has already bought 11.7 million tons of wheat for delivery by August 1978, doubled its sugar imports this year to over 1 million tons, and purchased 390,000 tons of soybeans.

#### Rationale of Chinese Fleet Expansion

Peking is expanding its fleet to carry a greater share of its growing foreign trade and to cut chartering costs. Before 1972, the fleet carried about one-tenth of China's total trade; by 1976 this had grown to over one-half. Peking had rapidly built up its merchant fleet between 1972 and 1975, adding more than 3 million DWT at a cost of more than \$500 million. The new ships, which were mostly purchased abroad, included the fleet's first tankers and bulk carriers. The latest surge in ship purchases will further increase the share of PRC trade carried under the Chinese flag.

China is still a major charterer, with chartering costs amounting to several hundred million dollars annually. The fleet's recent growth and the change in its composition has allowed Chinese ships to carry cargoes, particularly petroleum and

## SECRET

bulk products, previously carried on chartered ships. Despite the new purchases, however, Chinese chartering of foreign ships has also increased, with 23 charters taken out since May.

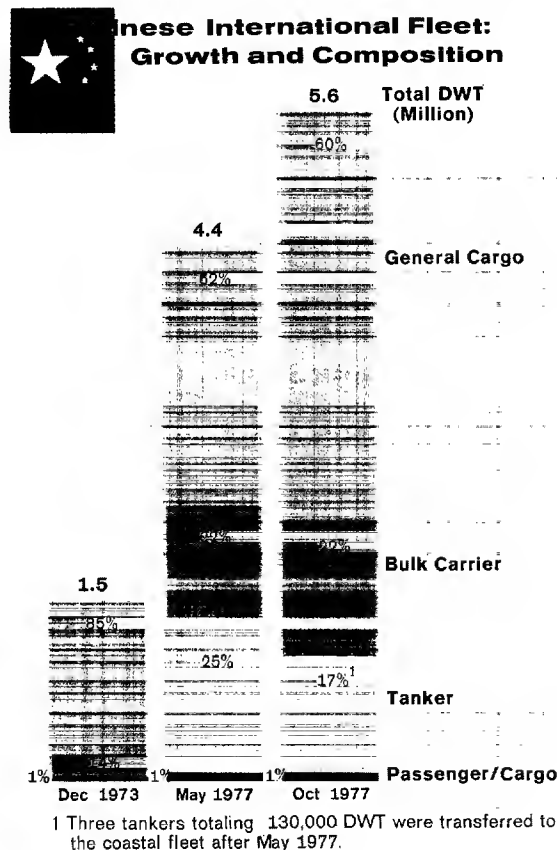
### Fleet Profile

The composition of the PRC fleet has shifted dramatically since 1973. At yearend 1973, fleet tonnage stood at 1.5 million DWT, with general purpose dry cargo ships accounting for 85 percent. From January 1974 to January 1976, purchases of tankers and bulk carriers totaled 2 million DWT, reducing the share of general cargo freighters to about 50 percent. Purchases were then suspended until May 1977. Purchases in the last five months have added 1.4 million DWT of general cargo ships and bulk carriers. At the same time, tanker tonnage declined about 130,000 DWT when three tankers were assigned coastal routes.

As the international fleet has expanded, the average size of ships has increased, and the average age decreased. With the addition of the larger bulk carriers and tankers, the average ship now displaces 17,000 DWT, approximately the world average and a 40-percent increase since 1971. Average age has decreased to about seven years. This trend should continue as larger, more modern vessels are purchased. China's own shipyards have furnished less than 10 percent of the total tonnage in the PRC international fleet. In this year's expansion of the fleet, PRC yards have contributed only three vessels, totaling 50,000 DWT.

### Hong Kong - Based Ships

In addition to its flag fleet, China controls two Hong Kong shipping firms, Yick Fung Shipping and Enterprises, Ltd., and Ocean Tramping Co., Ltd. These firms own nearly 90 ships, which total more than 900,000 DWT and are mainly registered



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under the Panamanian flag. On long-term charter to China, these ships provide Peking with greater flexibility in international trade, permitting entry to ports and trade prohibited to Chinese-flag vessels. This arrangement also involves smaller expenditures of hard currency than chartering foreign ships..

**Joint Stock Shipping Companies**

China has established three joint stock shipping companies with Poland, Albania, and Tanzania. The Chinese-Polish company, Chipolbok, is the largest of the three, operating an inventory of seven Chinese and 14 Polish freighters. These ships ply mainly between China and Europe, with occasional calls in Vietnam and Africa. The Chinese-Albanian venture, Chalship, operates three ships, all under the Albanian flag. One of the ships, the Internacional, is Chinese controlled and Chinese manned. Vessels assigned to Chalship travel primarily between Albania and China. The Chinese-Tanzanian company, Sinotaship, operates four ships—two Chinese and two under Tanzanian registry. These ships move between China, Tanzania, and Europe. The nine Chinese vessels assigned to Chipolbok and Sinotaship are controlled by joint stock company offices attached to the Chinese Ministry of Communications through the Canton Branch of the Chinese Ocean Shipping Company.

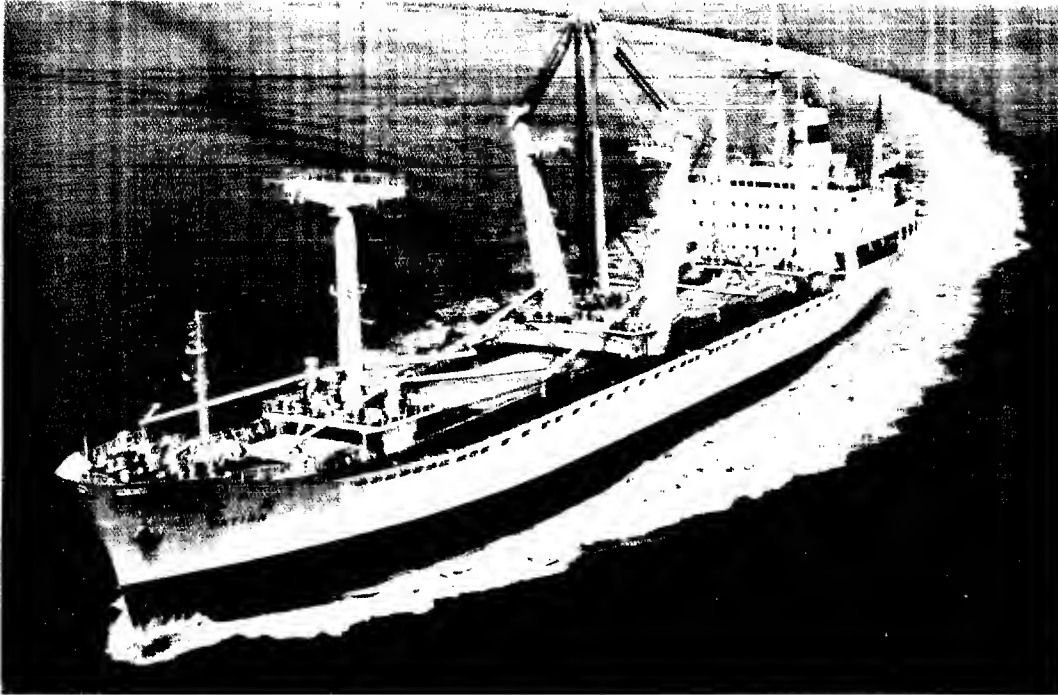
The Sri Lanka Shipping Corporation, Ltd., was established in a joint shipping service agreement between China and Sri Lanka in April 1972. Under the agreement, Peking purchased two ships for the corporation and provided the financial assistance to Sri Lanka for two additional ships. The corporation now owns eight ships, all under the Sri Lankan flag. These ships operate from Sri Lanka to China, the Persian Gulf, and Western Europe. China provides liberal financial aid to purchase ships and supplies insurance at low cost.

**Application of Intermodal Shipping Technologies**

China is cautiously investing in new shipping technologies that feature container-ships, LASH (lighter-aboard-ships) vessels, and ro/ro (roll-on/roll-off) vessels. These capital-intensive technologies require large initial investments in specialized ships, equipment, and port facilities. Even though China has abundant unskilled labor, the government is proceeding with this modernization of shipping technologies as part of its general program to "catch up" with the leading industrial nations.

The Chinese thus have entered the initial stage of containerization and are actively exploring other intermodal systems. Following the success of trial service, two Japanese shipping companies expanded their containerized service to eight sailings a month. Vessels in this trade call at Yokohama, Osaka, and Kobe in Japan and at Tientsin and Shanghai in China.

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Modern Chinese Freighter, Equipped with a 300-Ton Heavy-Lift Boom for Oversized Cargoes

The Chinese are equipping port facilities at Shanghai, Canton, and Tientsin for handling small numbers of containers. The installations at Canton and Tientsin—two of China's major ports—will include some specialized container-handling equipment manufactured in Japan and the United States. By the end of 1978, two container-ship berths will be available at each of the three ports.

#### Outlook

The rapid expansion of the Chinese merchant fleet almost certainly will continue under the policies of the post-Mao leadership, which looks to foreign trade as an important support of its economic modernization drive. The expansion will be encouraged by the current low prices in the used-ship market. While China's growing trade will still require hard currency outlays for chartering, by 1980 we expect that China's continued fleet expansion will allow Peking to carry nearly all of its trade on its own ships.

\* \* \* \* \*

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### Notes

#### EC: Commission Plumps for Expansionary Policies

An EC Commission working paper now being circulated contends that the need to expand aggregate demand in the short run must take precedence over the medium-term objective of balancing government budgets. The paper was prepared in connection with a review of the EC medium-term policy program. It argues that continuation of present policies would generate average annual real growth of only 3.5 to 4.0 percent through 1980—a pace that would cause unemployment to drift higher.

The working paper includes an unconvincing prescription for combating inflation, a prescription that partially contradicts the proposals for stimulating demand. The Commission continues to emphasize the key role of investment in growth but suggests more attention be given to encouraging investment indirectly by boosting consumption. The Commission paper also says that the Community as a whole should be willing to accept a current account deficit as long as the OPEC surplus exists. It says nothing, however, about distribution of the deficit among EC members.

#### Australia: Government Seeks Large Foreign Loans

The Australian Government has announced plans to raise US \$1.9 billion\* in foreign loans to bolster sagging foreign exchange reserves and to defend the value of the Australian dollar. The move is intended to demonstrate Canberra's resolve to avoid another devaluation and to discourage speculative pressures on the Australian dollar. Australia's foreign exchange reserves have fallen about \$750 million since the first of the year to \$2.7 billion, matching last year's low.

Faced with a similar situation last November, Prime Minister Fraser opted for a surprise 17.5-percent devaluation rather than borrow an additional \$1 billion—a move that resulted in severe public criticism. Subsequently the government permitted some appreciation in the foreign exchange market, with the result that the Australian dollar now stands about 12 percent below last November's level.

The loan package announced last week includes:

- Loans totaling \$535 million to be arranged by West Germany's Deutsche Bank.

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\*All values are in US dollars.

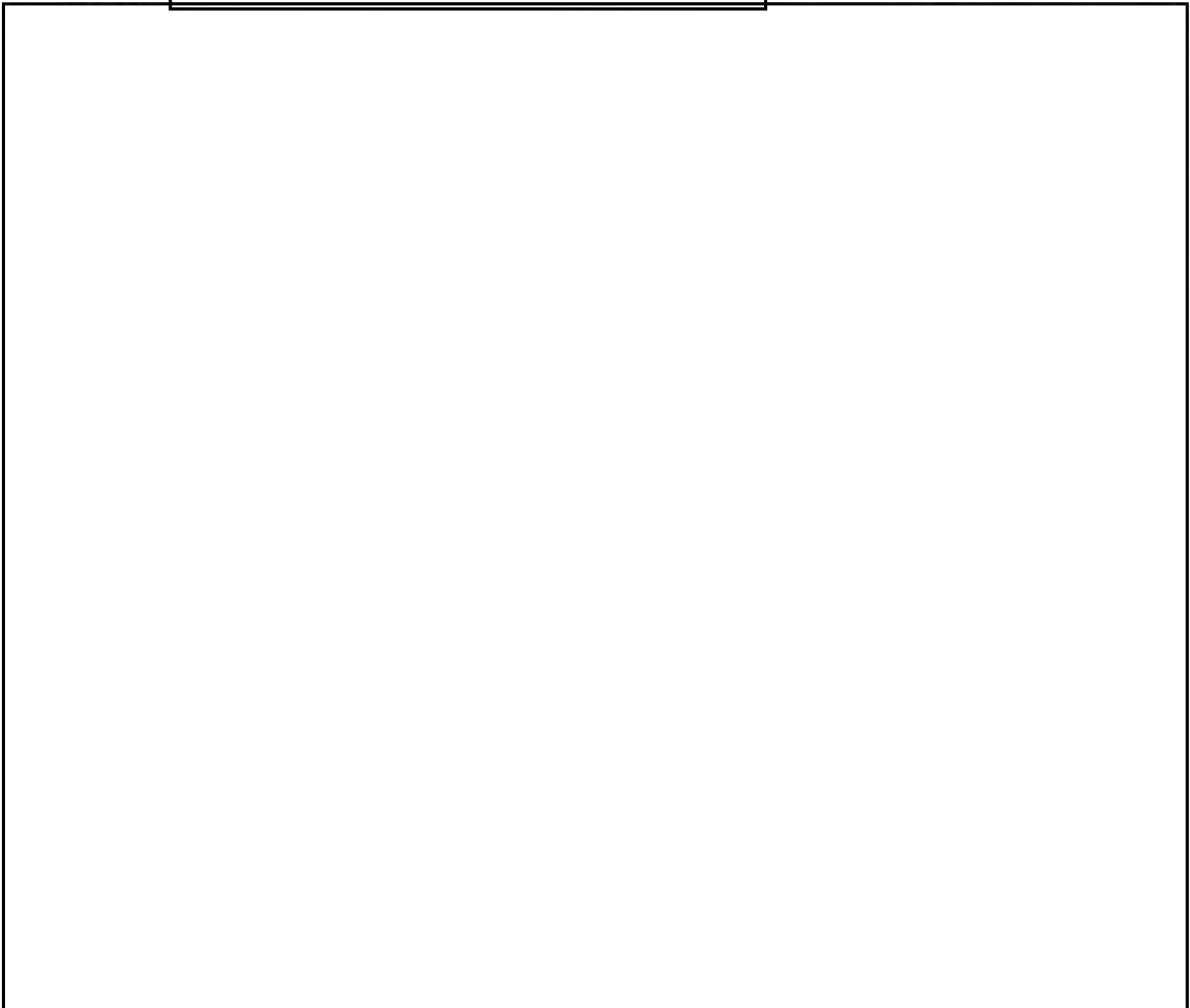
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- One loan and one standby credit, each for \$200 million, from the Bank of International Settlements.

These issues will be added to the \$935 million in credits announced in late August.

Canberra is counting on an improvement in the trade and investment balances later in the year to strengthen the overall balance of payments and to eliminate the need for further borrowing. Although some speculative outflow may indeed be repatriated, Canberra appears overly optimistic about the 'other elements of its strategy. Australian imports have remained strong despite last year's devaluation, and any pickup in the domestic economy will probably further stimulate import demand.

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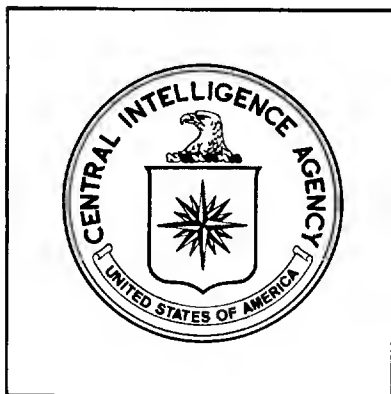
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## *ECONOMIC INDICATORS*

Prepared by  
The Office of Economic Research

ER EI 77-040  
6 October 1977

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## FOREWORD

1. The **Economic Indicators** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

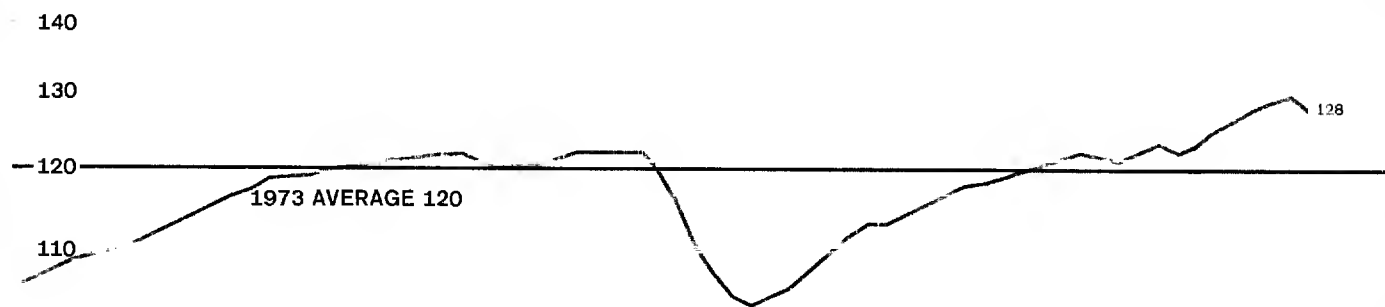
2. Source notes for the **Economic Indicators** are revised every few months. The most recent date of publication of source notes is 20 April 1977. Comments and queries regarding the **Economic Indicators** are welcomed.

# INDUSTRIAL PRODUCTION

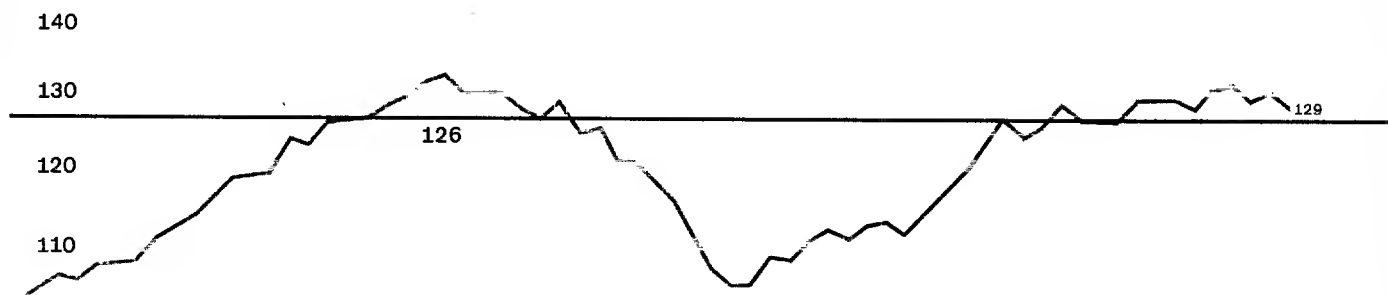
INDEX: 1970=100, seasonally adjusted

## United States

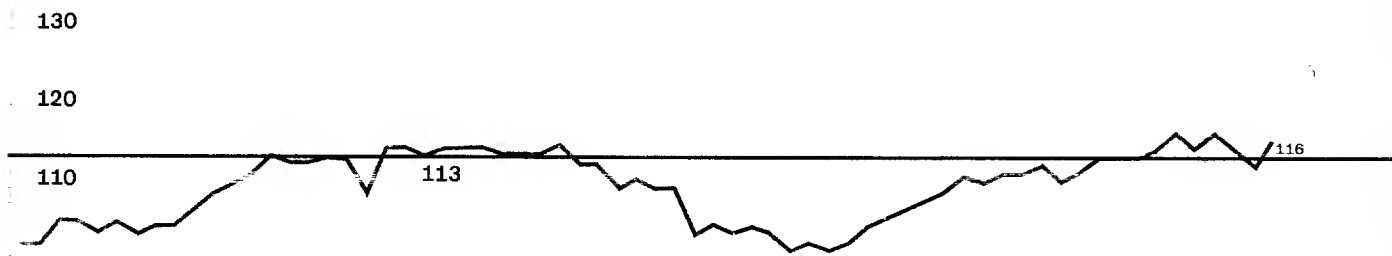
Semilogarithmic Scale



## Japan



## West Germany



## France



## United Kingdom

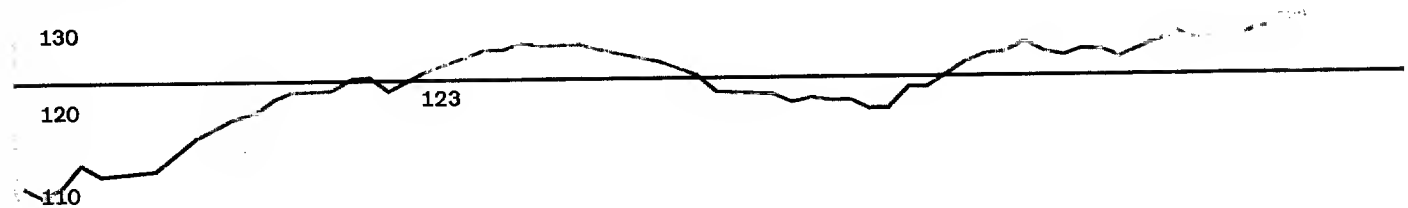
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## Italy



## Canada



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1972 1973 1974 1975 1976 1977

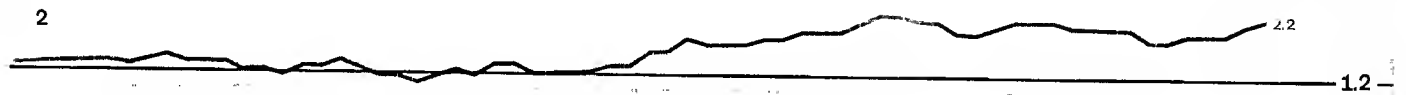
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>				1970	1 Year Earlier	3 Months Earlier <sup>1</sup>
United States	AUG 77	0.6	3.5	5.3	6.7	United Kingdom	JUL 77	2.8	0.4	1.0	8.5
Japan	JUL 77	-2.0	3.7	0.1	-2.1	Italy	JUL 77	-5.1	2.0	-4.8	19.0
West Germany	JUN 77	1.8	2.2	3.6	-6.6	Canada	JUN 77	0.3	4.1	4.5	1.4
France	JUN 77	3.2	3.6	4.1	-8.0						

# **UNEMPLOYMENT PERCENT OF LABOR FORCE**

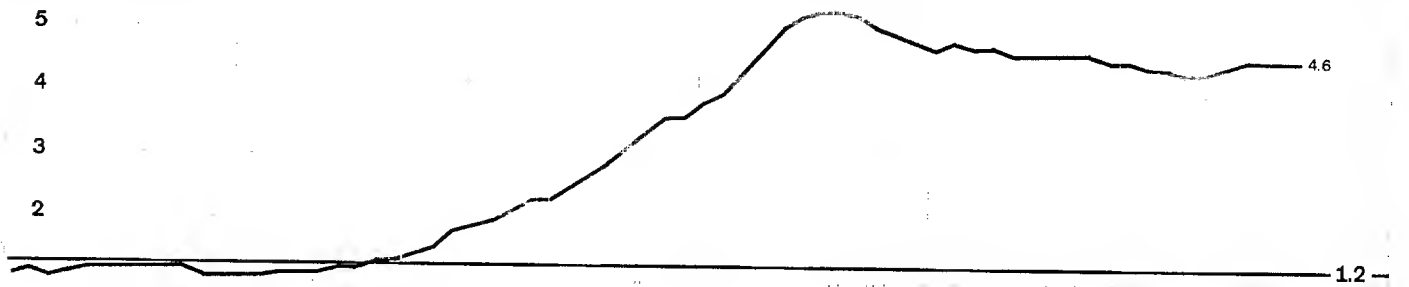
## **United States**



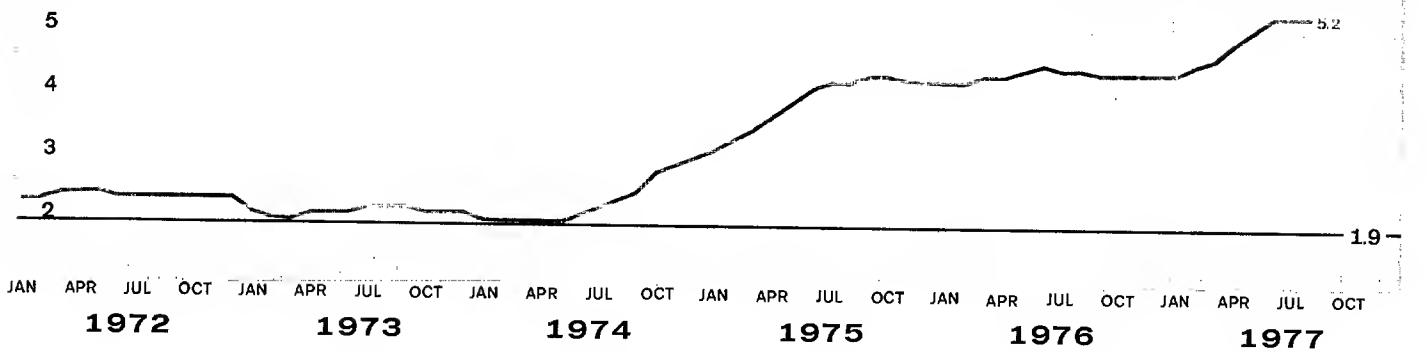
## **Japan**



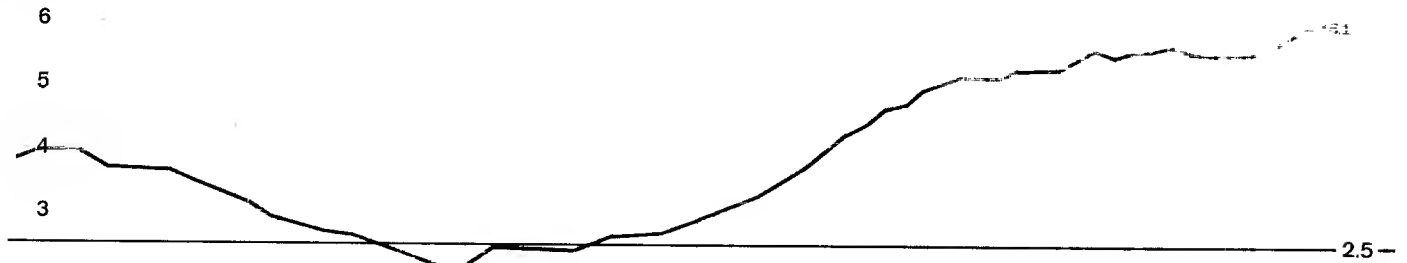
## **West Germany**



## **France**



## United Kingdom

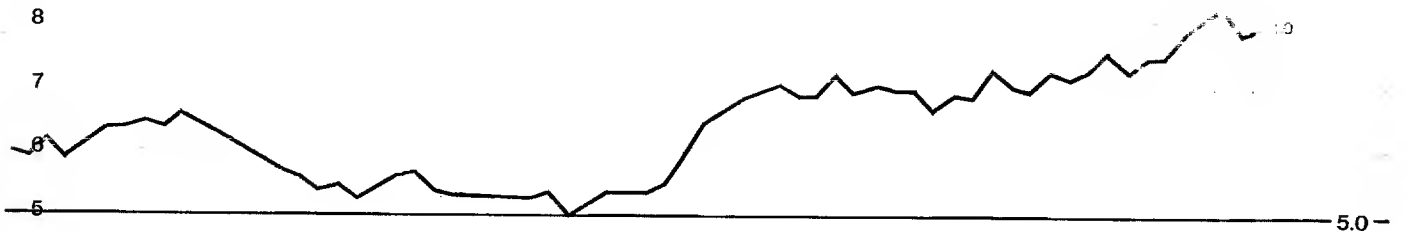


## Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

## Canada



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1972 1973 1974 1975 1976 1977

## THOUSANDS OF PERSONS UNEMPLOYED

		LATEST MONTH		1 Year Earlier	3 Months Earlier		LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	AUG 77	6,926		7,517	6,750	United Kingdom	SEP 77	1,446	1,319	1,353
Japan	JUN 77	1,190		1,120	1,050	Italy	77 III	1,692	776	1,432
West Germany	AUG 77	1,052		1,049	1,038	Canada	JUL 77	859	751	870
France	AUG 77	1,216		962	1,097					

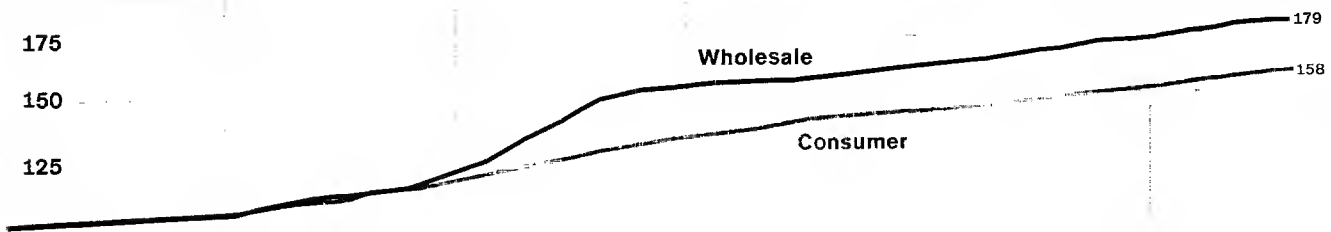
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

10-77

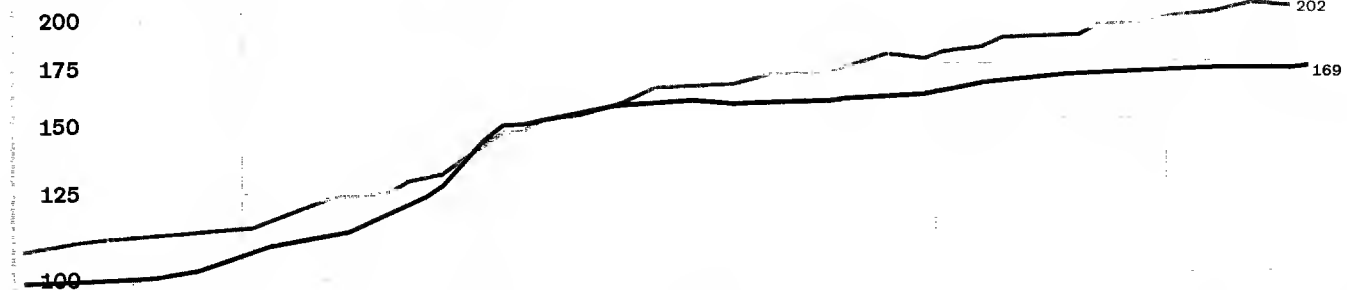
# DOMESTIC PRICES<sup>1</sup> INDEX: 1970=100

## United States

Semilogarithmic Scale



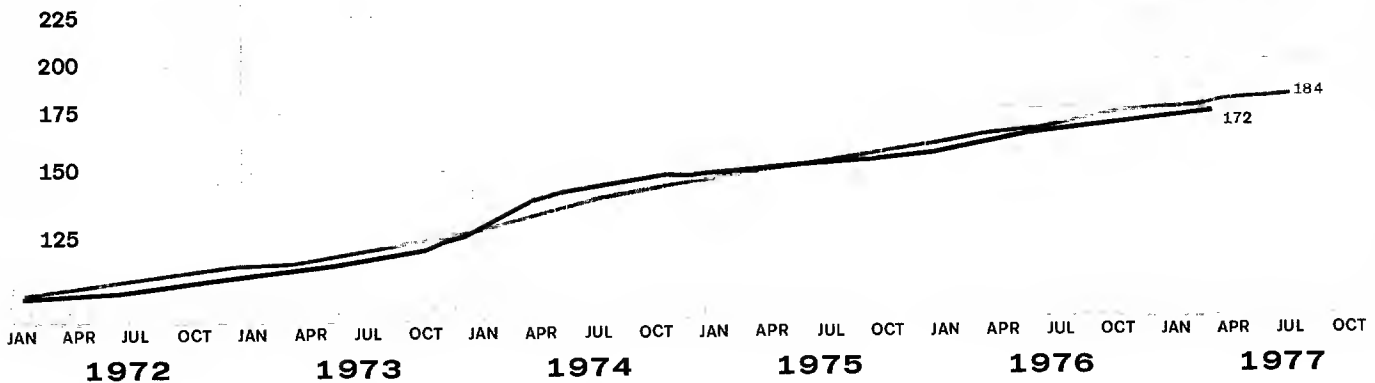
## Japan



## West Germany



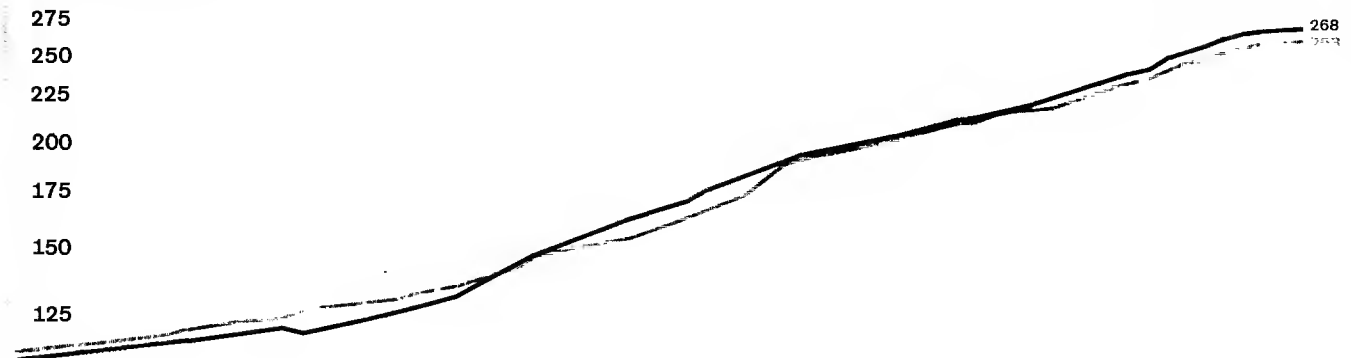
## France



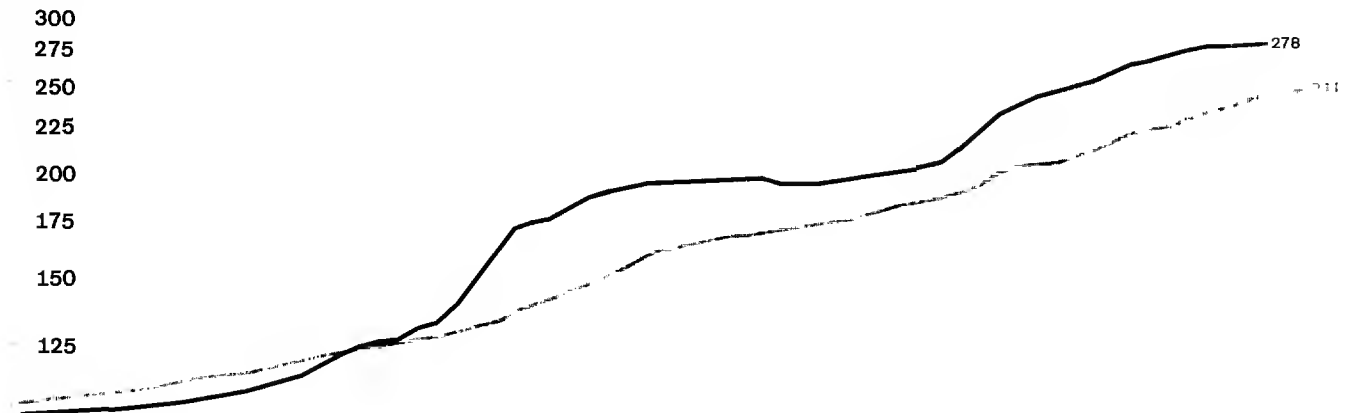
<sup>1</sup>Wholesale price indexes cover industrial goods.

## United Kingdom

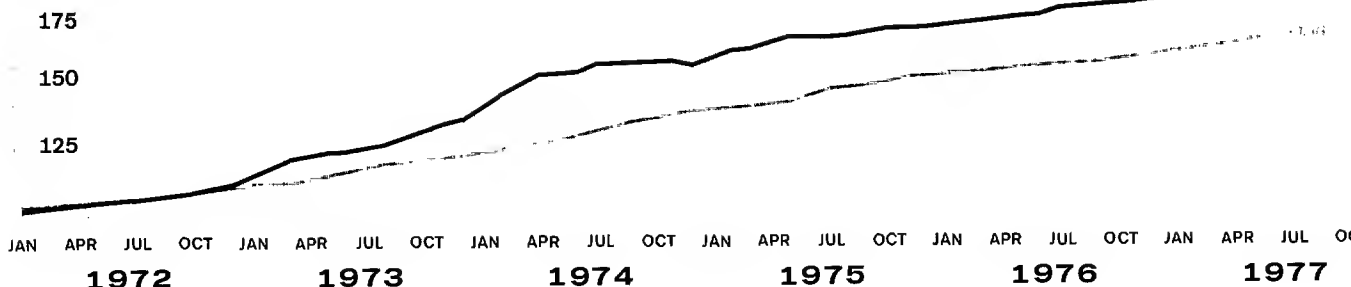
Semilogarithmic Scale



## Italy



## Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier				1970	1 Year Earlier	3 Months Earlier
United States	AUG 77 AUG 77	0.6 0.4	8.5 6.6	7.2 6.6	5.7 6.1	United Kingdom	AUG 77 AUG 77	0.9 0.5	14.8 13.9	20.0 16.5	13.4 6.8
Japan	AUG 77 JUL 77	0.2 -0.3	7.6 10.5	0.8 7.7	-2.3 0.7	Italy	JUN 77 AUG 77	0.3 0.7	15.8 13.2	15.8 20.1	6.8 9.9
West Germany	JUL 77 JUL 77	0.1 -0.1	5.3 5.6	2.1 4.3	0 3.1	Canada	JUN 77 JUL 77	-0.2 0.9	10.0 7.5	9.6 8.4	2.2 10.3
France	MAR 77 JUL 77	0.9 0.9	8.4 9.1	8.2 10.1	7.6 10.9						

# GNP<sup>1</sup>

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## Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	77 II	1.6	3.2	4.7	6.4
Japan	77 II	1.9	5.6	5.6	7.6
West Germany	77 II	-0.2	6.3	2.4	-1.0
France	76 IV	0	3.9	4.9	0
United Kingdom	77 I	-1.9	1.6	-1.3	-7.5
Italy	76 IV	1.1	3.0	5.5	4.6
Canada	76 IV	-0.6	4.8	3.4	-2.5

<sup>1</sup> Seasonally adjusted.

## Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	Jun 77	-0.2	3.2	4.1	3.3
Japan	May 77	-3.8	9.9	2.3	9.5
West Germany	Jun 77	0.9	2.4	4.4	-9.8
France	Jun 77	7.7	-0.3	1.0	-8.1
United Kingdom	Aug 77	0	1.1	-1.7	9.2
Italy	Mar 77	0.2	2.9	-0.3	16.3
Canada	Jun 77	-0.7	4.1	-3.7	-8.7

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

## FIXED INVESTMENT<sup>1</sup>

### Non-residential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	77 II	2.2	2.1	9.6	9.0
Japan	77 II	0.5	1.1	4.5	2.0
West Germany	76 IV	7.7	0.5	5.8	34.5
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	77 I	-0.6	0	3.4	-2.5
Italy	76 IV	5.2	3.0	15.4	22.4
Canada	76 IV	8.5	6.8	5.1	38.7

<sup>1</sup> Seasonally adjusted.

## WAGES IN MANUFACTURING<sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	Jul 77	0.6	7.5	7.6	8.1
Japan	Jun 77	1.7	17.3	12.5	8.7
West Germany	77 II	1.7	9.5	7.5	7.2
France	77 I	2.3	14.1	13.9	9.5
United Kingdom	Jun 77	0.3	15.7	3.4	3.6
Italy	May 77	5.3	21.1	29.4	33.2
Canada	Jun 77	1.3	11.5	10.7	11.7

<sup>1</sup> Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

<sup>2</sup> Average for latest 3 months compared with that for previous 3 months.

## MONEY MARKET RATES

				Percent Rate of Interest		
Representative rates		Latest Date		1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commerical paper	Sep 28	6.22	5.25	5.38	5.88
Japan	Call money	Sep 30	4.88	7.00	5.63	5.63
West Germany	Interbank loans (3 months)	Sep 28	4.09	4.56	4.27	4.05
France	Call money	Sep 30	8.13	9.00	8.63	8.37
United Kingdom	Sterling interbank loans (3 months)	Sep 28	5.78	12.58	7.72	6.61
Canada	Finance paper	Sep 28	7.07	9.35	7.19	7.47
Eurodollars	Three-month deposits	Sep 28	6.78	5.58	5.25	6.30

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# EXPORT PRICES

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US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	-0.4	9.8	5.6	2.5
Japan	Jun 77	2.0	10.8	14.9	10.1
West Germany	Jul 77	3.5	11.7	12.8	17.0
France	May 77	0.9	11.3	7.1	3.6
United Kingdom	Aug 77	2.9	11.0	13.9	15.7
Italy	Apr 77	-0.3	11.1	17.4	12.6
Canada	Jun 77	0.1	11.1	8.6	13.0

# EXPORT PRICES

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National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	-0.4	9.8	5.6	2.5
Japan	Jun 77	0.4	6.5	4.7	-1.0
West Germany	Jul 77	0.9	4.5	0.5	2.1
France	May 77	0.6	9.5	12.8	1.3
United Kingdom	Aug 77	1.9	16.1	16.7	10.1
Italy	Apr 77	1.9	16.9	18.5	16.6
Canada	Jun 77	-0.7	9.5	5.4	10.3

## IMPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	-1.4	13.5	7.9	2.1
Japan	Jun 77	-0.8	10.9	0.3	-14.8
West Germany	Jul 77	0.3	4.4	-0.3	-1.2
France	May 77	-0.4	10.6	15.4	2.6
United Kingdom	Aug 77	-1.0	19.3	13.9	1.7
Italy	Apr 77	1.0	21.1	13.7	15.1
Canada	Jun 77	0.3	8.6	8.5	7.7

## OFFICIAL RESERVES

	Latest Month	Billion US \$	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
United States	Aug 77	19.1	14.5	18.6	19.2
Japan	Aug 77	17.8	4.1	16.3	17.3
West Germany	Jun 77	35.1	8.8	33.3	34.7
France	Jul 77	9.9	4.4	9.4	10.0
United Kingdom	Aug 77	14.8	2.8	5.0	9.9
Italy	Jul 77	10.5	4.7	6.2	6.8
Canada	Jun 77	5.1	4.3	6.0	5.1

## CURRENT ACCOUNT BALANCE <sup>1</sup>

	Latest Period	Million US \$	Cumulative (Million US \$)		
			Percent Change		
			1977	1976	Change
United States <sup>2</sup>	77 I	-4,317	-4,317	540	-4,857
Japan	Aug 77	660	5,321	1,255	4,066
West Germany	Jul 77	-546	1,731	1,188	543
France	77 II	-438	-2,101	-2,052	-50
United Kingdom	77 I	-773	-773	-502	-271
Italy	77 I	-929	-929	-1,413	484
Canada	77 I	-1,530	-1,530	-1,911	381

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> Seasonally adjusted.

## BASIC BALANCE <sup>1</sup>

### Current and Long-Term-Capital Transactions

	Latest Period	Million US \$	Cumulative (Million US \$)		
			Percent Change		
			1977	1976	Change
United States			No longer published <sup>2</sup>		
Japan	Aug 77	260	3,781	1,472	2,309
West Germany	Jul 77	-875	-2,039	1,196	-3,234
France	77 I	-1,354	-1,354	-2,015	660
United Kingdom	76 IV	-277	N.A.	-4,171	N.A.
Italy	76 III	779	N.A.	1,096	N.A.
Canada	77 I	-550	-550	882	-1,432

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

## EXCHANGE RATES

### Spot Rate

As of 30 Sep 77

	US \$ Per Unit	19 Mar 73	Percent Change from		
			Percent Change from		
			1 Year Earlier	3 Months Earlier	16 Sep 77
Japan (yen)	0.0038	-0.58	8.90	0.96	0.85
West Germany (Deutsche mark)	0.4338	22.52	7.33	1.47	0.98
France (franc)	0.2045	-7.20	0.39	0.61	0.91
United Kingdom (pound sterling)	1.7475	-28.99	2.43	1.61	0.28
Italy (lira)	0.0011	-35.93	-3.90	0.35	0.27
Canada (dollar)	0.9307	-6.72	-9.46	-1.42	-0.14

## TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>

As of 30 Sep 77

	19 Mar 73	1 Year Earlier	3 Months Earlier	16 Sep 77
United States	5.97	1.73	0.47	-0.35
Japan	5.33	11.33	1.17	0.70
West Germany	26.78	6.21	1.51	0.49
France	-7.49	-2.10	0.43	0.37
United Kingdom	-29.08	2.46	2.35	-0.18
Italy	-38.68	-6.28	-0.03	-0.37
Canada	-4.68	-9.94	-1.47	-0.27

<sup>1</sup> Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

Developed Countries: Direction of Trade <sup>1</sup>

Million US \$

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC <sup>2</sup>	Com-munist	Other	World	Big Seven	Other OECD	OPEC <sup>2</sup>	Com-munist	Other
UNITED STATES <sup>3</sup>												
1974 .....	98,507	45,866	15,630	6,723	3,406	26,882	100,218	49,490	9,415	15,636	1,282	24,395
1975 .....	107,592	46,926	16,191	10,765	3,699	30,011	96,140	46,715	8,170	17,083	1,156	23,016
1976 .....	114,997	51,298	17,612	12,567	3,936	29,584	120,677	56,626	9,058	25,017	1,445	28,531
1st Qtr .....	27,360	12,184	4,088	2,751	1,144	7,193	27,319	12,884	2,226	5,570	327	6,312
2d Qtr .....	29,695	13,383	4,496	3,113	1,088	7,615	28,367	14,332	2,242	5,582	372	5,839
3d Qtr .....	27,437	11,944	4,073	3,106	850	7,464	32,452	14,285	2,228	6,952	389	8,598
4th Qtr .....	30,505	13,787	4,955	3,597	854	7,312	32,539	15,125	2,362	6,913	357	7,782
1977												
1st Qtr .....	29,454	13,752	4,716	3,136	951	6,899	34,990	15,124	2,566	8,324	366	8,610
2d Qtr .....	31,673	14,282	4,707	3,389	816	8,479	37,907	17,059	2,578	8,673	411	9,186
JAPAN												
1974 .....	55,610	18,591	6,862	5,450	4,367	20,340	62,074	18,755	6,219	19,970	3,684	13,446
1975 .....	55,812	16,468	6,091	8,423	5,283	19,547	57,853	16,917	6,083	19,404	3,382	12,067
1976 .....	67,364	22,406	8,588	9,278	5,049	22,043	64,895	17,534	7,777	21,877	2,926	14,781
1st Qtr .....	14,429	4,848	1,827	1,872	1,289	4,593	14,832	4,083	1,696	5,213	671	3,169
2d Qtr .....	16,431	5,402	2,092	2,271	1,348	5,318	15,903	4,347	1,948	5,400	667	3,541
3d Qtr .....	17,542	5,897	2,272	2,476	1,135	5,762	16,818	4,497	2,137	5,406	747	4,031
4th Qtr .....	18,962	6,259	2,397	2,659	1,277	6,370	17,342	4,607	1,996	5,858	841	4,040
1977												
1st Qtr .....	17,911	5,848	2,449	2,459	1,409	5,746	17,452	4,717	1,845	6,246	801	3,843
Apr & May .....	13,017	4,404	1,611	1,823	875	4,304	11,988	3,195	1,380	3,925	575	2,913
WEST GERMANY												
1974 .....	89,365	30,820	36,431	4,066	9,473	8,575	69,659	23,878	25,504	9,211	5,153	5,913
1975 .....	90,181	28,331	36,406	6,776	10,629	8,039	74,986	27,085	27,761	8,239	5,526	6,375
1976 .....	101,980	33,443	41,811	8,245	10,310	8,171	88,211	31,281	32,632	9,720	6,718	7,860
1st Qtr .....	23,467	7,918	9,519	1,710	2,430	1,890	20,147	7,130	7,577	2,189	1,502	1,749
2d Qtr .....	24,570	8,215	10,110	1,838	2,421	1,986	21,571	7,704	8,133	2,223	1,625	1,886
3d Qtr .....	25,147	8,003	10,272	2,235	2,510	2,127	21,791	7,565	7,894	2,575	1,699	2,058
4th Qtr .....	28,796	9,307	11,910	2,462	2,949	2,168	24,701	8,883	9,028	2,732	1,891	2,167
1977												
1st Qtr .....	27,804	9,281	11,609	2,307	2,156	2,451	24,084	8,465	8,828	2,578	1,270	2,943
Apr .....	9,230	3,058	3,849	799	694	830	7,991	2,892	2,949	756	428	966
FRANCE												
1974 .....	45,914	19,361	14,854	3,017	2,265	6,417	52,874	22,062	13,620	10,117	1,714	5,361
1975 .....	52,189	19,960	15,454	4,909	3,477	8,389	54,238	23,039	14,350	9,665	2,065	5,119
1976 .....	55,680	22,438	16,081	5,067	3,558	8,536	64,256	27,750	16,894	11,336	2,384	5,892
1st Qtr .....	13,639	5,524	3,921	1,240	917	2,037	15,529	6,567	4,157	2,818	595	1,392
2d Qtr .....	14,769	5,911	4,395	1,221	1,059	2,183	16,187	7,149	4,324	2,610	593	1,511
3d Qtr .....	12,409	4,922	3,446	1,280	729	2,032	14,841	6,431	3,733	2,723	577	1,377
4th Qtr .....	14,863	6,081	4,319	1,326	853	2,284	17,699	7,603	4,680	3,185	619	1,612
1977												
1st Qtr .....	15,323	6,250	4,540	1,392	847	2,294	17,885	7,494	4,840	3,056	600	1,895
Apr .....	5,232	2,193	1,569	460	288	722	5,788	2,499	1,543	879	194	673
UNITED KINGDOM												
1974 .....	38,615	11,704	15,544	2,554	1,458	7,355	54,107	18,158	17,968	8,695	1,870	7,416
1975 .....	43,751	12,399	16,310	4,535	1,768	8,739	53,260	18,387	18,370	6,912	1,726	7,865
1976 .....	46,312	14,016	17,492	5,133	1,619	8,052	56,029	19,653	18,732	7,292	2,143	8,209
1st Qtr .....	11,637	3,415	4,362	1,238	433	2,189	13,641	4,704	4,597	1,824	510	2,006
2d Qtr .....	11,553	3,532	4,307	1,259	420	2,035	14,052	5,041	4,547	1,738	579	2,147
3d Qtr .....	11,058	3,430	4,100	1,262	386	1,880	13,787	4,744	4,547	1,893	528	2,075
4th Qtr .....	12,064	3,639	4,723	1,374	380	1,948	14,549	5,164	5,041	1,837	526	1,981
1977												
1st Qtr .....	13,150	4,008	5,145	1,521	413	2,063	15,575	5,786	5,068	1,783	514	2,424
2d Qtr .....	14,375	4,195	5,700	1,687	530	2,263	16,623	6,009	5,718	1,702	602	2,592

Developed Countries: Direction of Trade <sup>1</sup>  
(Continued)

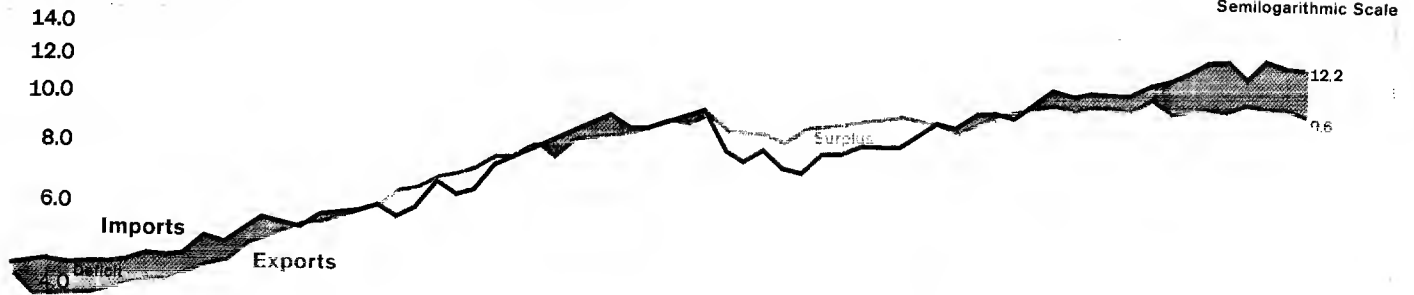
Million US \$

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC <sup>2</sup>	Com-munist	Other	World	Big Seven	Other OECD	OPEC <sup>2</sup>	Com-munist	Other
ITALY												
1974 .....	30,252	13,894	7,135	2,238	2,701	4,284	40,682	17,949	6,394	9,384	2,513	4,442
1975 .....	34,825	15,626	7,519	3,718	3,228	4,734	37,928	17,284	6,189	7,854	2,431	4,170
1976 .....	35,364	16,698	8,276	4,027	2,592	3,771	41,789	18,585	7,755	7,831	3,000	4,618
1st Qtr .....	7,398	3,513	1,713	756	597	819	9,092	4,063	1,708	1,689	608	1,024
2d Qtr .....	8,705	4,157	2,040	951	623	934	10,716	4,786	1,918	2,092	744	1,176
3d Qtr .....	9,398	4,505	2,191	1,057	657	988	10,335	4,497	1,860	2,035	792	1,151
4th Qtr .....	9,863	4,523	2,332	1,263	715	1,030	11,646	5,239	2,269	2,015	856	1,267
1977												
1st Qtr .....	9,668	4,520	2,264	1,236	655	993	11,299	4,964	2,130	2,166	720	1,319
Apr & May .....	7,480	3,435	1,719	981	540	805	8,523	3,829	1,561	1,605	523	1,005
CANADA <sup>4</sup>												
1974 .....	32,390	26,827	1,970	626	851	2,116	32,408	25,965	1,508	2,613	343	1,979
1975 .....	31,778	25,885	1,753	827	1,255	2,058	34,050	27,181	1,579	3,126	311	1,853
1976 .....	37,746	31,415	2,048	930	1,270	2,083	37,922	30,383	1,661	3,171	363	2,344
1st Qtr .....	8,539	7,197	424	167	334	417	9,159	7,331	367	843	85	533
2d Qtr .....	10,015	8,441	496	183	345	550	10,290	8,175	421	954	95	645
3d Qtr .....	9,216	7,486	568	271	354	537	8,834	6,965	433	716	91	629
4th Qtr .....	9,976	8,291	560	309	237	579	9,639	7,912	440	658	92	537
1977												
1st Qtr .....	9,672	8,201	524	248	231	468	9,640	7,850	391	742	87	570
2d Qtr .....	10,740	9,055	540	278	292	575	10,841	9,007	430	677	96	631

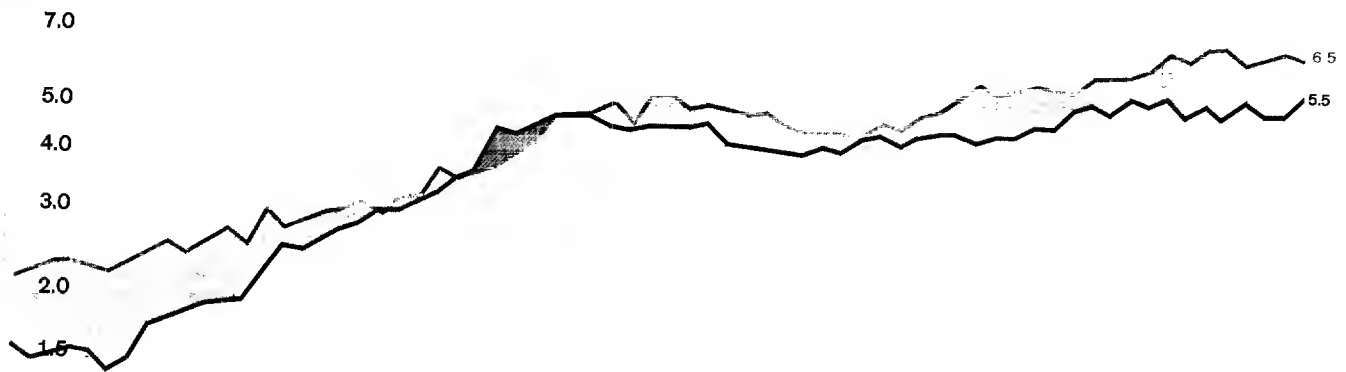
<sup>1</sup> Data are unadjusted. Because of rounding, components may not add to the totals shown.<sup>2</sup> Including Gabon.<sup>3</sup> Import data are f.a.s.<sup>4</sup> Import data are f.o.b.

# FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

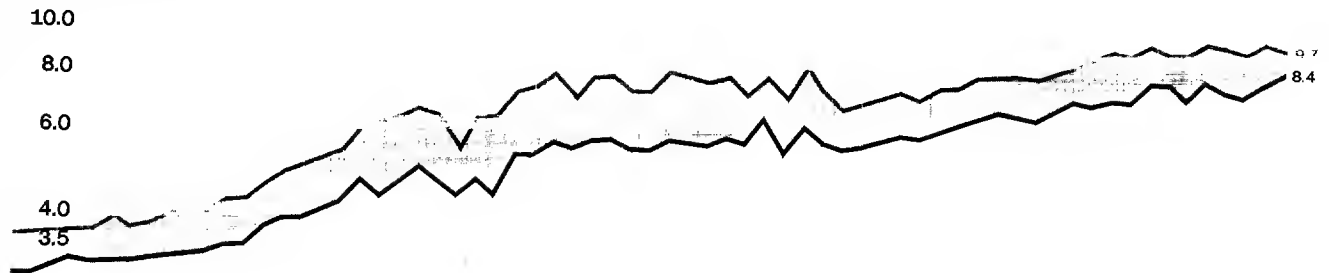
## United States



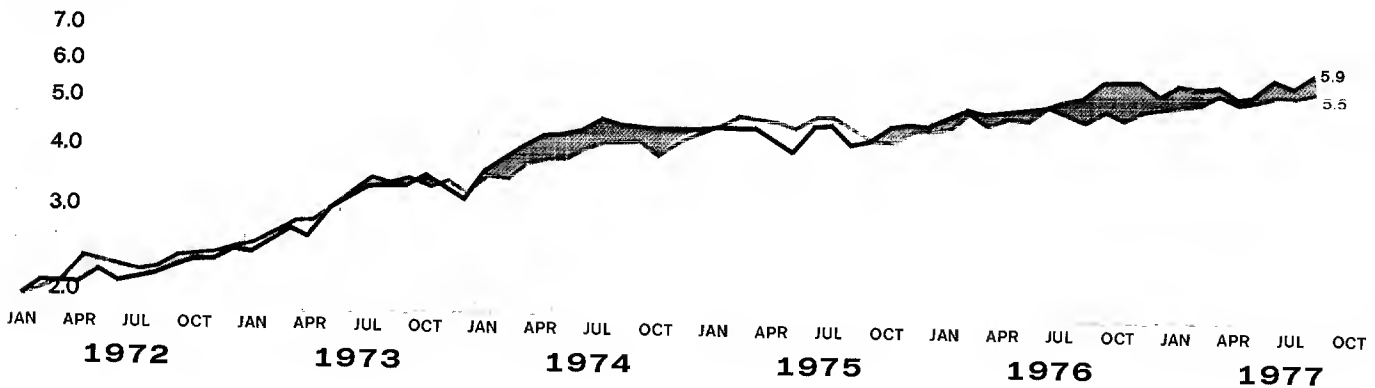
## Japan



## West Germany

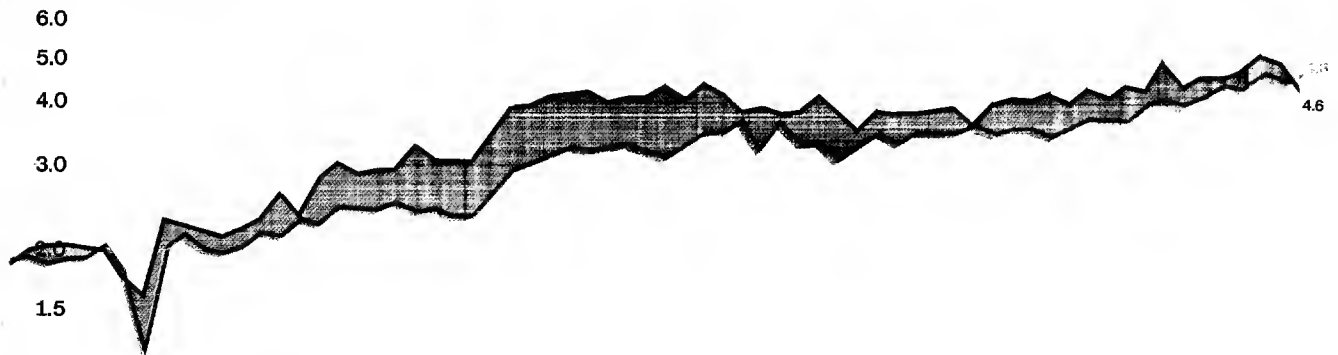


## France



## United Kingdom

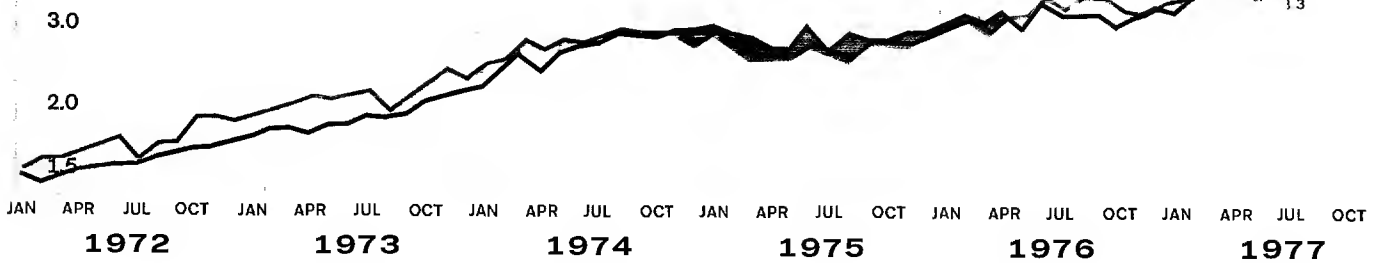
Semilogarithmic Scale



## Italy



## Canada



	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1977	1976	CHANGE
United States	AUG 77	9,563	79,668	75,383	5.7%
		<u>12,232</u>	<u>97,251</u>	<u>77,646</u>	<u>25.2%</u>
	Balance	-2,670	-17,583	-2,263	-15,320
Japan	AUG 77	6,521	51,989	42,541	22.2%
		<u>5,466</u>	<u>40,645</u>	<u>35,772</u>	<u>13.6%</u>
	Balance	<u>1,055</u>	<u>11,344</u>	<u>6,769</u>	<u>4,575</u>
West Germany	JUL 77	9,657	66,317	56,282	17.8%
		<u>8,384</u>	<u>54,989</u>	<u>46,344</u>	<u>18.7%</u>
	Balance	1,273	11,328	9,938	1,390
France	AUG 77	5,510	41,964	37,453	12.0%
		<u>5,888</u>	<u>44,174</u>	<u>39,000</u>	<u>13.3%</u>
	Balance	-378	-2,210	-1,548	-662

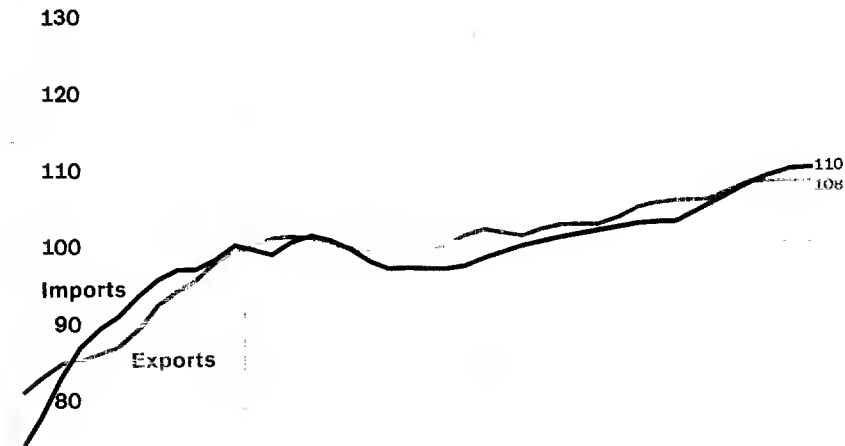
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1977	1976	CHANGE
United Kingdom	AUG 77	4,824	36,064	28,808	25.2%
		<u>4,579</u>	<u>39,260</u>	<u>33,044</u>	<u>18.8%</u>
	Balance	245	-3,196	-4,236	1,041
Italy	JUL 77	3,571	25,194	20,227	24.6%
		<u>3,365</u>	<u>25,581</u>	<u>22,305</u>	<u>14.7%</u>
	Balance	206	-388	2,078	1,691
Canada	JUN 77	3,325	20,711	18,774	10.3%
		<u>3,311</u>	<u>20,020</u>	<u>18,940</u>	<u>5.7%</u>
	Balance	14	691	-166	857

574185 10-77

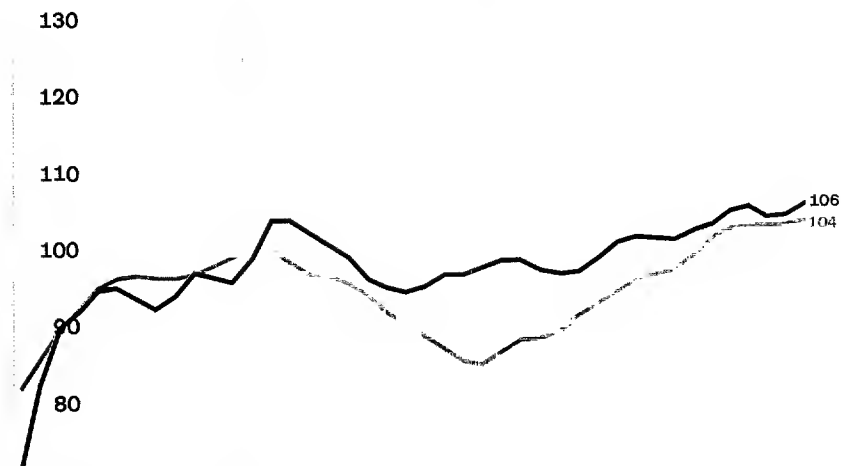
## FOREIGN TRADE PRICES IN US \$<sup>1</sup>

United States

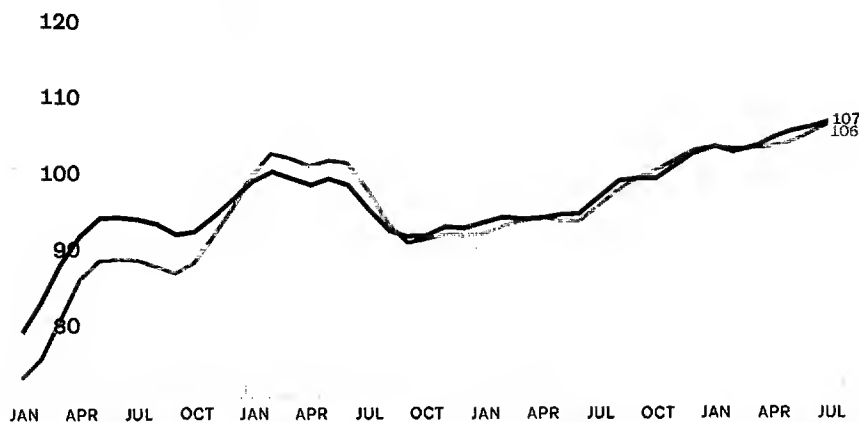
INDEX: JAN 1975 = 100



Japan

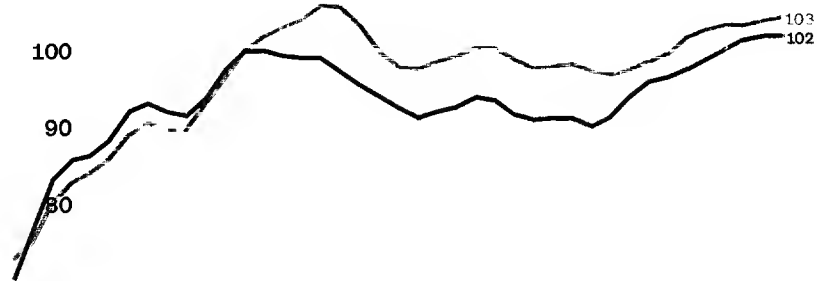


West Germany

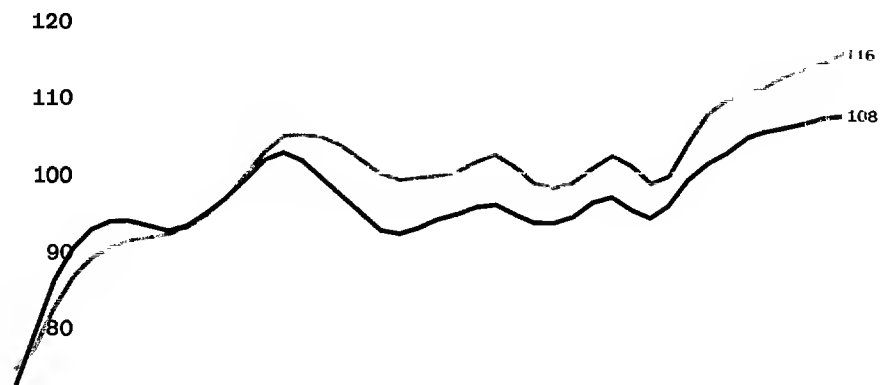


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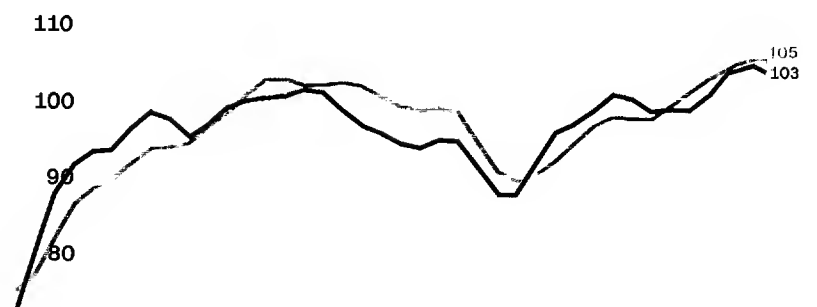
### France



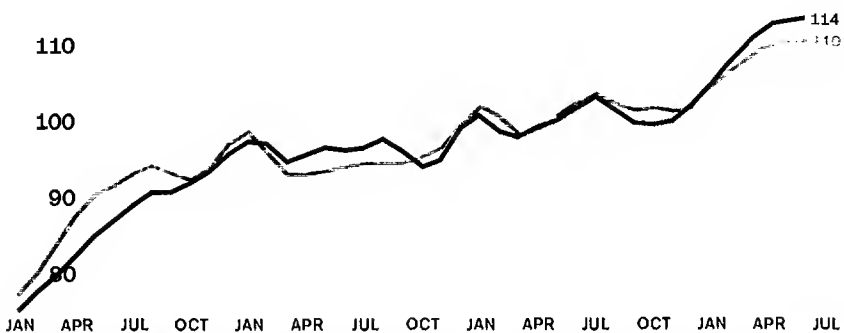
### United Kingdom



### Italy



### Canada



## SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION <sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1 Year		
			1970	Earlier	3 Months Earlier <sup>2</sup>
Brazil	76 II	0.1	11.0	10.7	0.4
India	Feb 77	3.5	5.5	6.8	18.8
South Korea	Jun 77	8.3	22.8	14.7	22.8
Mexico	May 77	1.9	5.9	2.4	27.1
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Jul 77	-2.0	14.2	8.9	12.7

<sup>1</sup> Seasonally adjusted.<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.MONEY SUPPLY <sup>1</sup>

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1 Year	
			1970	Earlier
Brazil	May 77	1.5	36.3	41.7
Egypt	Apr 77	1.2	18.6	23.0
India	Apr 77	0.9	12.2	19.7
Iran	Jun 77	-4.5	28.8	26.5
South Korea	Jun 77	9.5	32.6	44.0
Mexico	Jun 76	-0.3	17.0	16.6
Nigeria	Feb 77	5.9	35.9	54.8
Taiwan	May 77	0.6	24.1	21.0
Thailand	May 77	1.5	13.5	13.0

<sup>1</sup> Seasonally adjusted.<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

## CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1 Year	
			1970	Earlier
Brazil	May 77	3.5	26.9	44.4
India	Apr 77	0.3	8.1	8.3
Iran	Jun 77	1.6	12.5	29.9
South Korea	Aug 77	1.3	14.6	9.7
Mexico	Jul 77	1.1	14.7	32.9
Nigeria	Mar 77	3.4	14.9	13.6
Taiwan	Jul 77	0.4	10.6	7.2
Thailand	Jul 77	0.4	8.6	9.4

## WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1 Year	
			1970	Earlier
Brazil	Aug 77	0.9	27.2	37.0
India	May 77	2.0	9.5	10.2
Iran	Jun 77	0.1	10.9	21.6
South Korea	Aug 77	0.7	16.3	9.2
Mexico	Jul 77	0.7	16.4	48.2
Taiwan	Jul 77	0	9.1	4.1
Thailand	Jul 77	1.0	10.1	7.1

## EXPORT PRICES

US \$

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1 Year		
			1970	Earlier	3 Months Earlier
Brazil	Mar 77	4.5	16.5	35.4	-34.4
India	Nov 76	-2.1	9.4	10.5	-4.0
Iran	Jun 77	0	36.0	18.9	0
South Korea	77 I	1.7	8.8	11.9	6.9
Nigeria	May 76	-0.1	33.2	8.2	6.6
Taiwan	May 77	0.4	12.3	9.4	14.7
Thailand	Dec 76	2.0	13.3	13.1	77.7

## OFFICIAL RESERVES

Million US \$

	Latest Month			1 Year		3 Months
	End of	Million US \$	Jun 1970	Earlier	Earlier	
Brazil	Feb 77	5,873	1,013	3,667	5,139	
Egypt	Apr 77	405	155	375	389	
India	Jun 77	4,559	1,006	2,449	3,747	
Iran	Jul 77	11,592	208	8,426	10,548	
South Korea	Jun 77	3,502	602	2,044	3,212	
Mexico	Mar 76	1,501	695	1,479	1,533	
Nigeria	Jun 77	4,663	148	5,885	4,931	
Taiwan	Jun 77	1,411	531	1,394	1,349	
Thailand	Jul 77	2,017	978	1,929	2,006	

## FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
			3 Months	1 Year	1977	1976	Change
	Latest Period		Earlier <sup>1</sup>	Earlier			
Brazil	Jun 77	Exports	190.5	37.3	16,341	13,065	25.1%
	Jun 77	Imports	47.0	-0.4	18,390	18,107	1.6%
	Jun 77	Balance			-2,049	-5,043	-2,994
Egypt	76 IV	Exports	-97.9	-47.8	NA	NA	NA
	76 IV	Imports	-93.5	-54.7	NA	NA	NA
	76 IV	Balance			NA	NA	NA
India	Apr 77	Exports	109.3	13.0	6,926	5,970	16.0%
	Apr 77	Imports	-56.3	5.6	5,953	6,912	-13.9%
	Apr 77	Balance			973	-942	1,915
Iran	Jun 77	Exports	-4.4	4.2	35,545	30,875	15.1%
	May 77	Imports	143.6	6.8	17,180	14,285	20.3%
	May 77	Balance			16,493	14,598	1,895
South Korea	Jun 77	Exports	107.4	23.8	12,233	8,360	46.3%
	Jun 77	Imports	158.0	31.7	12,632	10,208	23.7%
	Jun 77	Balance			-399	-1,848	1,449
Mexico	Jun 77	Exports	17.1	25.3	5,460	4,519	20.8%
	Jun 77	Imports	73.5	-21.5	8,138	9,298	-12.5%
	Jun 77	Balance			-2,678	-4,779	2,101
Nigeria	May 77	Exports	-62.3	-8.5	14,466	12,174	18.8%
	Dec 76	Imports	83.0	6.6	NA	NA	NA
	Dec 76	Balance			NA	NA	NA
Taiwan	Jul 77	Exports	207.0	22.1	13,244	9,767	35.6%
	Jul 77	Imports	92.6	16.8	11,471	9,430	21.6%
	Jul 77	Balance			1,773	337	1,436
Thailand	Apr 77	Exports	34.3	22.9	4,206	3,172	32.6%
	Mar 77	Imports	30.1	22.7	4,205	3,748	12.2%
	Mar 77	Balance			-301	-812	511

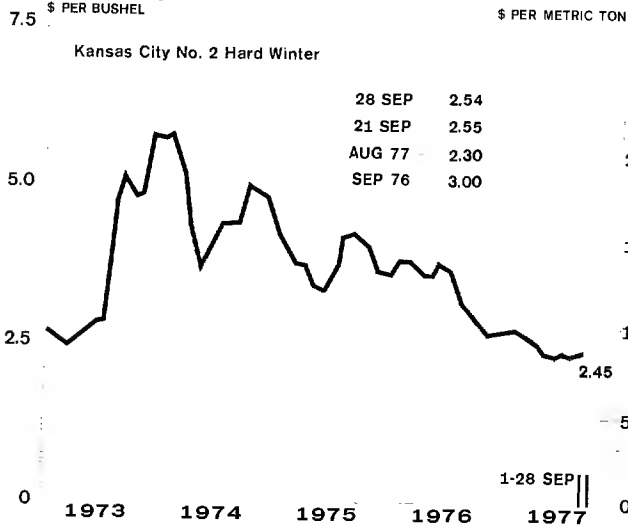
<sup>1</sup> At annual rates.

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# AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

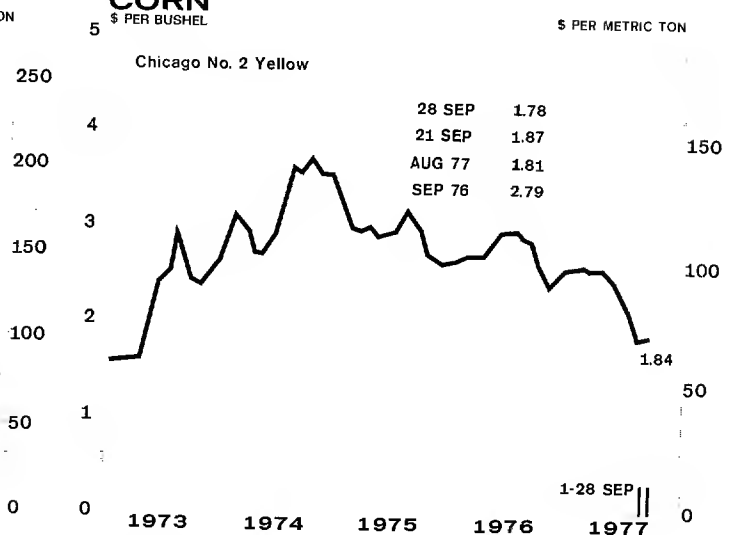
## WHEAT

\$ PER BUSHEL



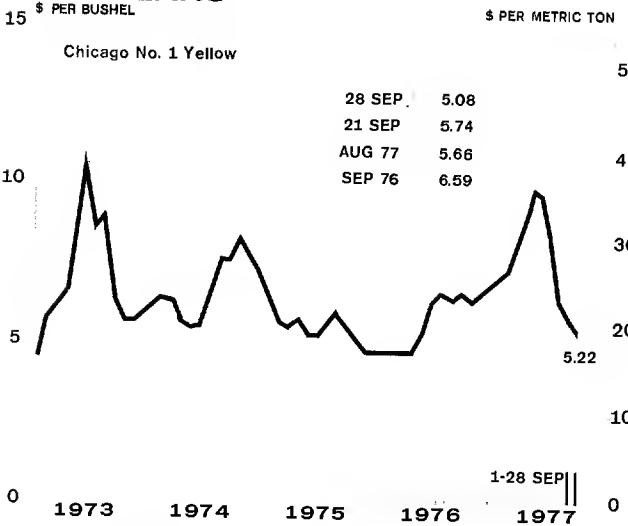
## CORN

\$ PER BUSHEL



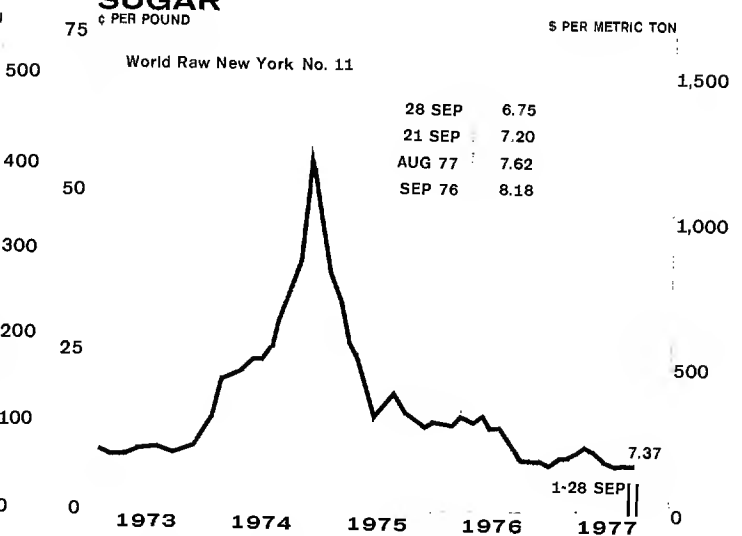
## SOYBEANS

\$ PER BUSHEL



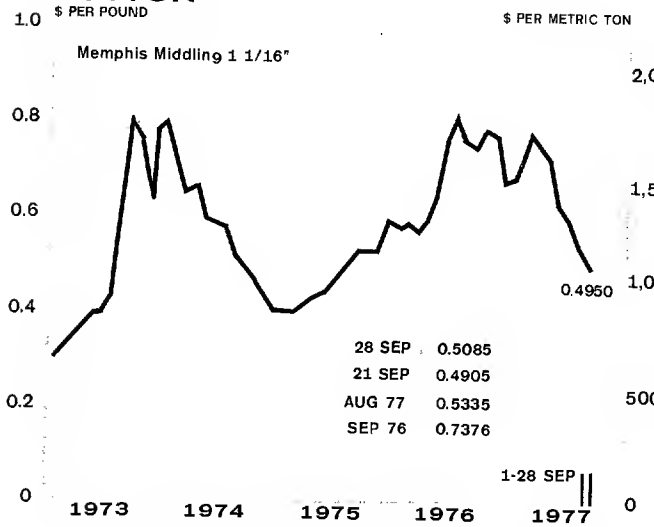
## SUGAR

¢ PER POUND



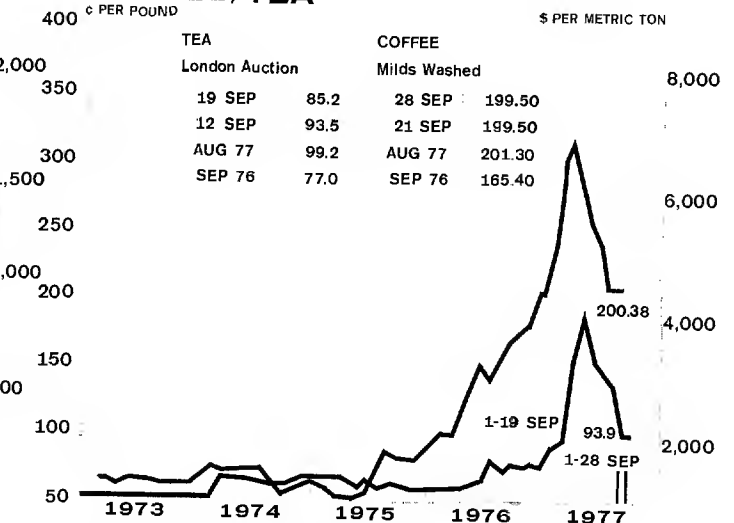
## COTTON

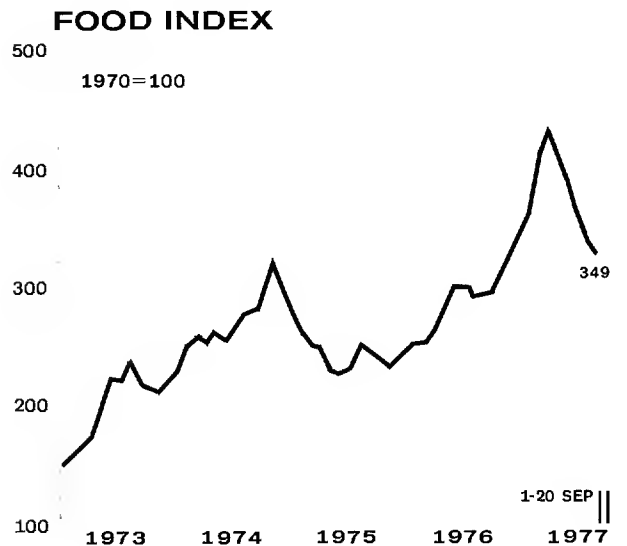
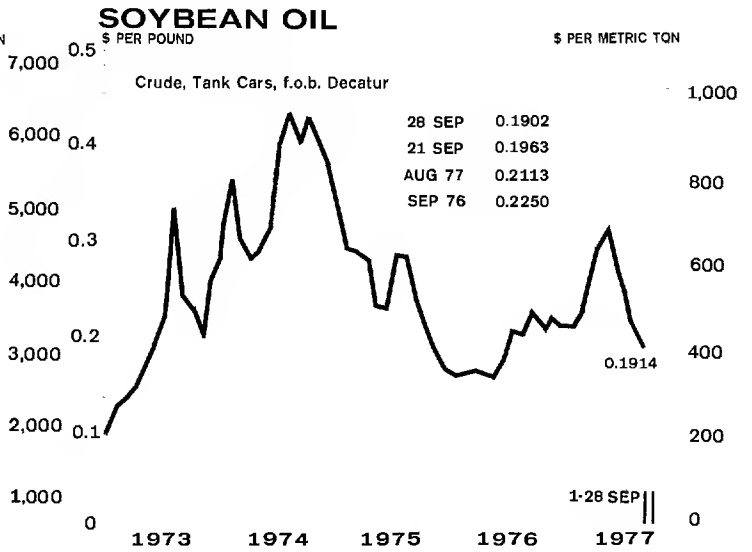
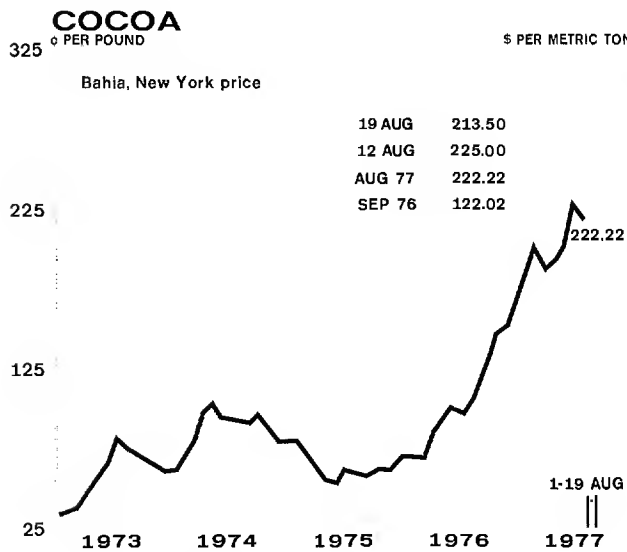
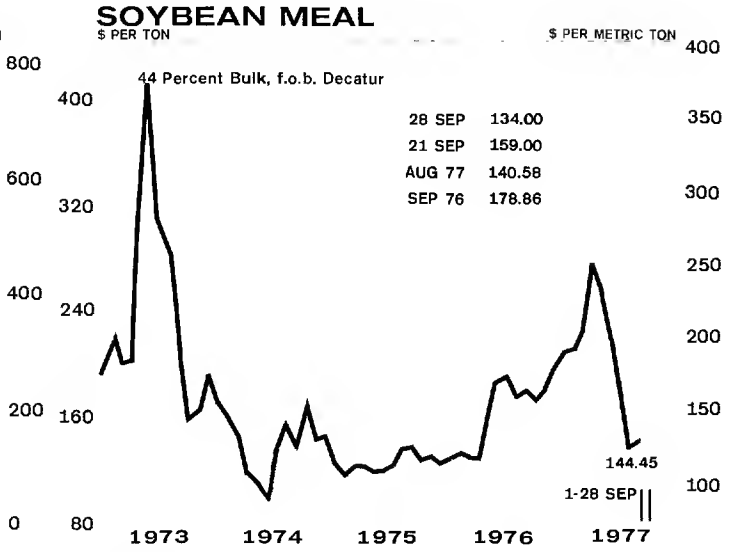
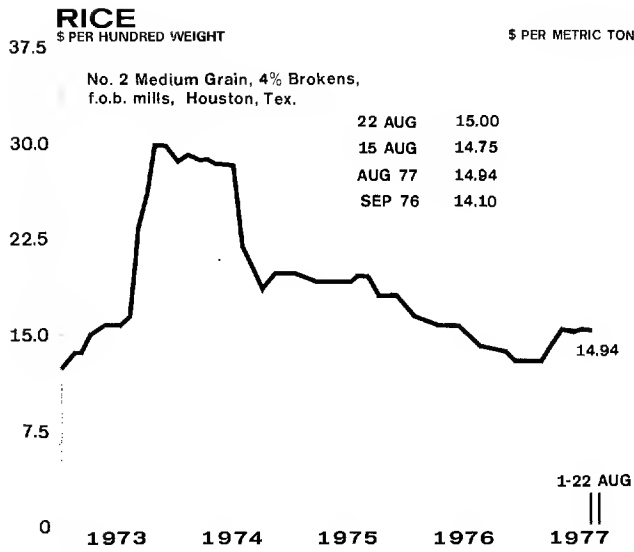
\$ PER POUND



## COFFEE/TEA

¢ PER POUND



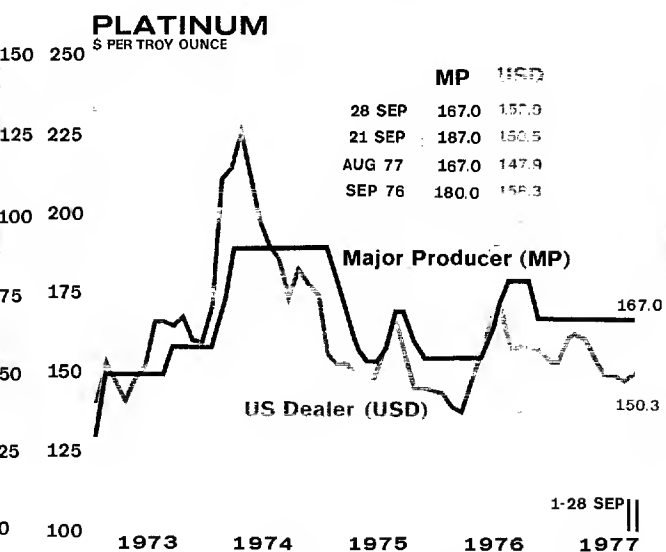
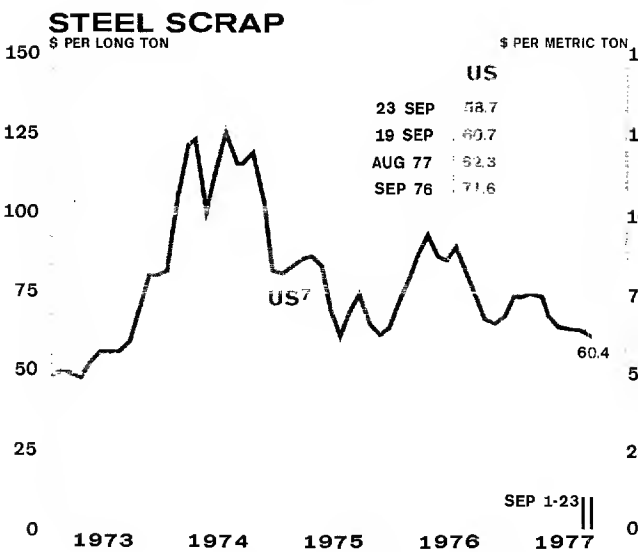
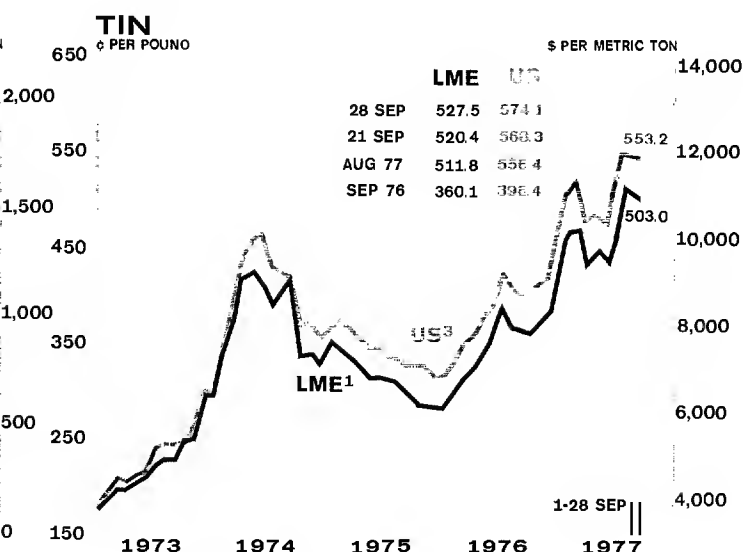
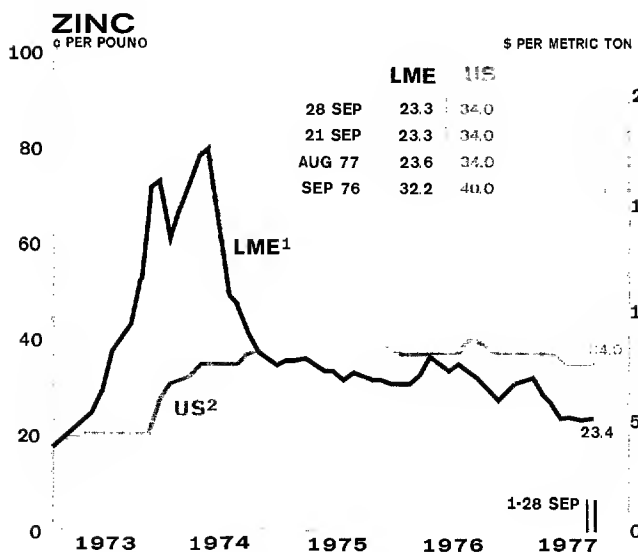
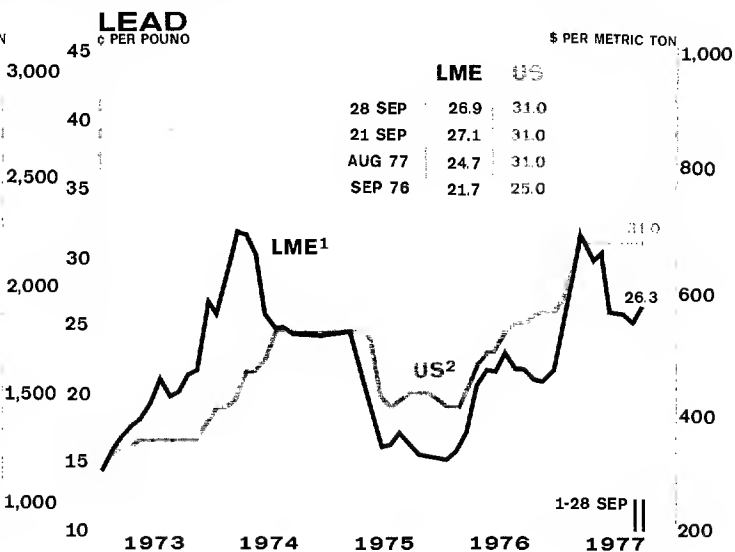
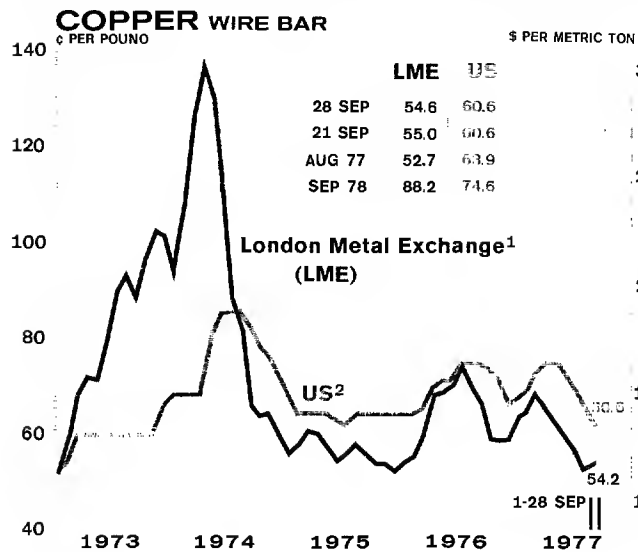


NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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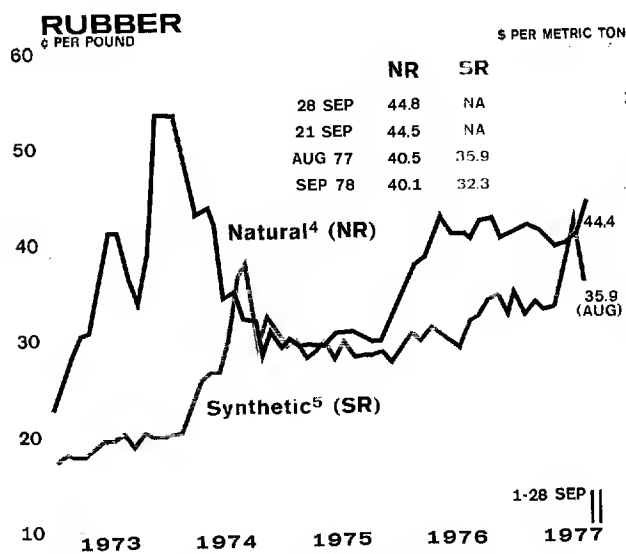
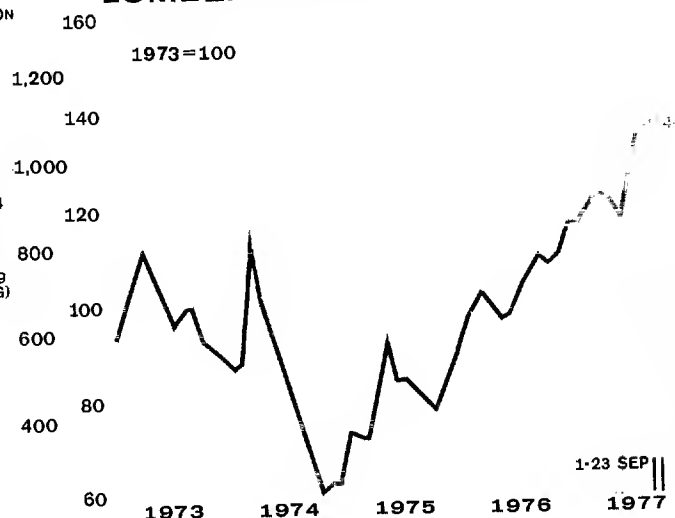
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# INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

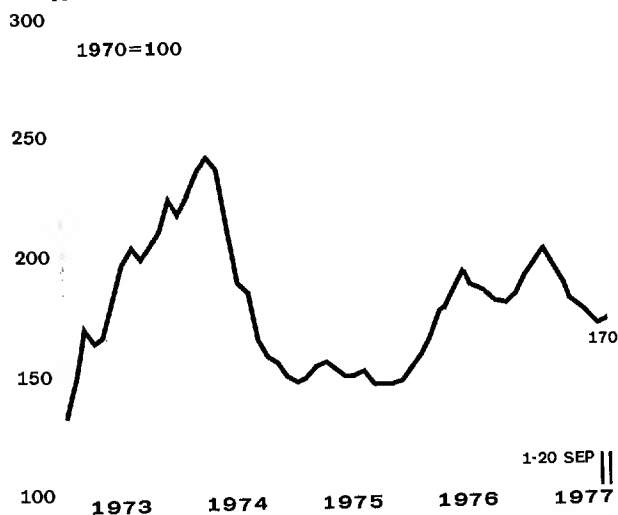


## SELECTED MATERIALS

			CURRENT	MAR 77	SEP 76	SEP 75
ALUMINUM	Major US Producer	¢ per pound	53.00	49.17	48.00	41.00
US STEEL	Composite	\$ per long ton	359.36	339.27	327.00	290.33
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	20.51	18.75
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	150.00	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	58.50	58.50	42.00	44.50
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	41.00	43.00	44.00	53.50
NICKEL	Composite US Producer	\$ per pound	2.16	2.41	2.24	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	72.48	72.00	72.00	67.20
TUNGSTEN ORE	65 Percent WO <sub>3</sub>	\$ per short ton	8,904.35	10,534.69	7,502.70	5,241.58
MERCURY	NY	\$ per 76 pound flask	140.00	173.20	116.90	138.10
SILVER	LME Cash	¢ per troy ounce	459.20	486.01	428.96	449.50
GOLD	London Afternoon Fixing Price	\$ per troy ounce	150.69	148.23	114.14	144.09

LUMBER INDEX<sup>6</sup>

## INDUSTRIAL MATERIALS INDEX



<sup>1</sup>Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

<sup>2</sup>Producers' price, covers most primary metals sold in the US.

<sup>3</sup>As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

<sup>4</sup>Quoted on New York market.

<sup>5</sup>S-type styrene, US export price.

<sup>6</sup>This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell wethers" of US lumber construction costs.

<sup>7</sup>Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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STAT

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